99-30

TRADE ADJUSTMENT ASSISTANCE

5

HEARINGS

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

TRADE ADJUSTMENT ASSISTANCE FOR FIRMS
APRIL 6, 1985—ATLANTA, GA

TRADE ADJUSTMENT ASSISTANCE FOR WORKERS
JUNE 10, 1985—LORAIN, OH

Serial 99-30

Printed for the use of the Committee on Ways and Means

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TRADE ADJUSTMENT ASSISTANCE FOR FIRMS

SATURDAY, APRIL 6, 1985

House of Representatives,
Committee on Ways and Means,
Subcommittee on Trade,
Atlanta, GA.

The subcommittee met, pursuant to notice, at 9 a.m., in room 808, Richard Russell Federal Building, Atlanta, GA, Hon. Sam M. Gibbons (chairman of the subcommittee) presiding.

[Press release announcing the hearing follows:]

[For immediate release Tuesday, March 26, 1985]

Hon. Sam M. Gibbons (D., Fla.), Chairman, Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, Announces a Field Hearing in Atlanta, GA, on the Trade Adjustment Assistance Program for Firms

The Honorable Sam M. Gibbons (D., Fla.), Chairman of the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, today announced plans for a field hearing in Atlanta, Georgia, on Saturday, April 6, 1985, to review the operation in the southeastern region of the trade adjustment assistance program for firms. This program of technical and financial assistance to firms adversely affected by increased import competition is due to expire on September 30, 1985. The purpose of the field hearing is to gain on-site knowledge of program activity and results to assist the Subcommittee in considering reauthorizing legislation.

The hearing will be held in room 808, Richard Russell Federal Building, 75 Spring Street Southwest, Atlanta, Georgia, from 9:00 a.m. until 12:00 noon. Testimony will be received from invited witnesses only.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE

All other interested parties wishing to submit written statements for the record of the printed hearing should submit at least six (6) copies of their statements by the close of business Friday, April 12, 1985, to Joseph K. Dowley, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Room 1102 Longworth House Office Building, Washington, D.C. 20515. Written statements must contain the following information:

1. The name, full address, and capacity of the person or organization submitting the statement, as well as a telephone number where they may be reached;
2. A list of any clients or persons, or any organization for whom the statement is submitted; and
3. A topical outline or summary of the comments and recommendations in the full statement.

If those filing written statements for the record of the printed hearings wish to have their statements distributed to the press and the interested public, they may submit 50 additional copies for this purpose to the hearing room in Atlanta.

Chairman **Gibbons**. Good morning, ladies and gentlemen.

This is a meeting of the Subcommittee on Trade of the Committee on Ways and Means, and today we are going to talk about trade adjustment assistance. This is one of a series of field hearings that we are having to consider the problems in the area of textiles, apparel, and other trade-related items.

We are trying to go around the country to get some firsthand knowledge of the actual experience people are having in the textile and apparel area, and particularly the subcommittee is interested in the process by which firms get adjustment assistance. That is the purpose of our hearing this morning. We want to know the types of assistance given and the role of trade adjustment assistance in the overall adjustment effort, and whether the program has resulted in successful firm adjustment to import competition.

Although we will receive testimony this morning from several textile mills and related firms as part of our series of hearings on the textile industry, we are interested in the operation and the effectiveness of the whole TAA Program as a means for firms and industries to adjust to increased imports.

Since the program is due to expire on this September 30, our hearing will provide a useful perspective for the subcommittee's consideration of the reauthorization legislation.

We thank each of you for being willing to testify this holiday weekend and respectfully appreciate your efforts in the Southeast Trade Adjustment Assistance Center. Since our trip schedule requires that we complete this hearing promptly by noon, we will request that witnesses summarize their testimony briefly on the understanding that all statements will be printed in full in the record unless there is an objection—and I hear no objection.

Mr. Pease, do you wish to make a statement to open?

Mr. **Pease**. Mr. Chairman, only just briefly. I would like to welcome all of our guests and witnesses this morning. As you know, I am a sponsor of the bill to reauthorize the TAA Program for firms, and I am grateful not only to you for coming but also to Chairman Gibbons for scheduling this field hearing, and to my colleagues for attending.

The TAA Program is a relatively small one, and in Congress one of our difficulties is getting enough attention focused on small programs so that Members really understand what the merits of the programs are. I am hopeful—in fact, I am convinced—that those of you appearing this morning will make a strong case for the firm portion of TAA. And we are really looking forward to the testimony.

Chairman **Gibbons**. Do any other Members wish to make any statements?

Let me say before we get to the witnesses, I may have to excuse myself, and other Members may have to excuse themselves, around 11 o'clock this morning. The Prime Minister of Japan, as you know, has sent a special envoy to this country, and he has asked to talk with us this morning, and we are going to have to sit down and visit with him. He is coming down here from Washington, and then he will go back to Japan, as I understand. So if you see us slipping out, it is not that we are not interested in what is going on; it is just that we have got that problem of two things happening at one time.

The gentleman has chased us all over the United States, and we want to make sure that we give him a respectful audience and listen to his side of the story. This is not a bargaining process with

Japan; we are not authorized to bargain. We have delegated that authority to the President. And I think he is here just to test the political waters. He is going to get plenty of political waters here in Atlanta, GA, this morning.

I hope Mr. Pease will be able to conduct the hearing at that time, unless we have completed it.

Our leadoff witnesses will be a panel from the Georgia Tech Research Institute and the Southeastern Trade Adjustment Assistance Center, which provides trade adjustment assistance for firms in the Southeast region. They will explain the process for determining and delivering appropriate assistance to the firms in this region.

I would ask each one of you to introduce yourselves and to proceed as you wish. It looks like, Mr. Grace, we have you first.

Is that right? Are you to lead off?

STATEMENT OF DONALD J. GRACE, DIRECTOR, GEORGIA TECH RESEARCH INSTITUTE, GEORGIA INSTITUTE OF TECHNOLOGY

Mr. GRACE. Yes, sir.

I am director of the Georgia Tech Research Institute at the Georgia Institute of Technology, within which the Trade Adjustment Program is housed. I think it is particularly appropriate that we should be talking about trade and industry and technology assistance at the time that Georgia Tech is celebrating its centennial.

When the university was originally founded, one of the basic ideas as quoted was: "Diversity of labor, and protection of the manufacturing industries, we believe, is the secret of success."

I think in the ensuing 100 years we have tried very hard to live up to that tradition. Our GTRI was started in 1919 as the Engineering Experiment Station, and we only changed the name last year. In 1960, our charter was revised by the State legislature with a mission as provided specifically to include economic development, and the quote was "To serve the community, the State, and the Nation by encouraging industrial and economic development."

Our industrial sponsorship for research contracts and grants and technical assistance is about 25 percent of our total volume, which is five times the national average for research universities. So we have been very much involved with industry, with Government sponsorship, and hopefully with the interface between the two of them.

We do a lot of work in electronics, which you may be more familiar with, but there are quite a number of activities that do relate to the general area that we are talking about today. We do economic developments, technology insertion, industrial assistance, health and safety in the environment, energy conversion and applications of engineering to agriculture.

Just as a quick example, our Environmental Health and Safety Program began in 1978 and now has a staff of 35 people. The onsite consultation activity currently results in 475 safety and health assistance visits to over 300 Georgia companies a year, with nearly 2,000 visits conducted for Georgia firms since the program began.

We have a Technology Commercialization Program which is aimed at providing technical assistance to minority companies and assisting minority entrepreneurs in getting the products evaluated, developed, and commercialized.

We have an Energy Conservation Program which provides inplant energy audits, workshops and technical assistance. In that particular case, the current funding level for the program is $250,000 a year—very small, as Mr. Pease was indicating. But the Energy Conservation Program has resulted in annual cost savings in Georgia of $368 million.

We have an Agriculture Technology Program that gives engineering assistance in adapting high technology to increasing the productivity of Georgia's poultry industry. Happily, this program is totally supported through private industrial and State funding.

We operate a network of 12 field offices throughout the State, but the purpose today is to talk about trade adjustment assistance. Shortly, you will be hearing from three of my colleagues who will talk about details of it. But I might just mention in passing that we have also had a number of trade adjustment assistance programs in the School of Textile Engineering at Georgia Tech from our academic colleagues.

Several examples are mentioned in the testimony. The main point that they try to make is that our efforts in the service and technical assistance projects, as well as in research and development efforts, are very much directed toward hands-on practical approaches rather than simply doing more studies.

You will be hearing in detail about this from my colleagues, but I would like to quote briefly from an evaluation of all the TAAC centers prepared by the Associated Research Analysis Corp. in which they cited our center as having:

> A technical assistance delivery system * * * that is the most effective system evaluated * * * It may be characterized as well managed and flexible in that each technical assistance effort is closely tailored to the firms' problems and needs, performance in a relatively short period of time and of high quality.

We were visited last year by Mr. Don Baker, who was then Deputy Assistant Secretary for Trade Adjustment Assistance. Mr. Baker had been concerned about such a program being located at Georgia Tech, or any university, and about the practicality and results orientation of the staff. As he left office in January, he wrote a very positive letter to the director of our program. You have a copy of the letter with your testimony. I would just like to read the last paragraph. "The TAAC Program is indeed a winner, Bob," he addressed to Mr. Springfield, "thanks to the talent and dedication of people like yourself, Chuck, Ed, Johanna, and the other members of your staff. Please extend my thanks to those outstanding people."

We feel that we have a history of providing excellent assistance with a significant multiplier in terms of benefits for the cost. We realize that there is a climate of conservation at this time in the Federal budget for the coming year, but we are also mindful of the cost-effectiveness of this activity and the fact that an enormous amount of dynamic motion would be lost in trying to reinitiate the program even if it were curtailed for 6 months to a year.

The fact remains that the problems which are being addressed have not gone away, and indeed they are being greatly accentuated by the current high value of the dollar. This is a program that gives industry an opportunity to help itself with enlightened assistance from knowledgeable professionals.

Thank you.

[The prepared statement follows:]

STATEMENT OF DONALD J. GRACE, DIRECTOR, GEORGIA TECH RESEARCH INSTITUTE, REPRESENTING THE GEORGIA INSTITUTE OF TECHNOLOGY

I am deeply appreciative of the opportunity to join my colleagues from Georgia Tech and some of the industrial clients whom they have been able to help, in presenting testimony to the Committee today. I would also express my sincere thanks to the members present for taking the time from their busy schedules to hold these meetings.

The Georgia Institute of Technology is celebrating its centennial this year and I think it appropriate to mention that the two gentlemen who conceived the idea for it in 1882 set out consciously to generate a technological counterpart to the already flourishing agricultural base in our State. It was their concept that when we had people trained in the technology arts:

"Manufacturers of every description will spring up right and left, the idle will be employed, there will arise a demand for everything the farmer can produce, a sale for every article the manufacturer can put forth, and prosperity, such as we have never known, will rule the land * * * Diversity of labor, and protection of the manufacturing industries, we believe, is the secret of success."

In the ensuing 100 years, Georgia Tech has made a concerted effort to contribute to these objectives. In 1919, our Engineering Experiment Station was created by the General Assembly of Georgia. In 1960, its Charter was revised to add an economic development mission, with an industrial extension service. The mission, as provided by the Legislature, specifically charges the organization:

"* * * to serve the community, the State, and the Nation by encouraging industrial and economic development."

Last year we changed the name from the Engineering Experiment Station to the Georgia Tech Research Institute, but made no changes in our Charter or objectives. Today, while an integral part of the Georgia Institute of Technology, we operate as an individual entity, with a research, development and technical assistance volume in excess of $60M per year. Over 90% of these funds come from externally sponsored contracts, primarily from government agencies and private industry.

A significant portion of our effort at GTRI is devoted to electronics research, defense systems, computer applications, chemical and physical materials studies and the like. But we are also heavily involved in economic development, technology insertion, industrial assistance, environmental health and safety, energy conversion, and application of engineering to agriculture. Funding for these latter programs has become increasingly more difficult to maintain in recent years, despite a record of outstanding and highly demonstrable tangible achievements.

For example, our Environmental Health and Safety Program provides on-site safety and health consultation, asbestos abatement, hazardous waste-management, and environmental health and safety conferences and training. This program began in 1978, with a staff of 12 persons and currently has a staff size of 35. The on-site consultation activity currently results in 475 safety and health assistance visits to over 300 Georgia companies per year; nearly 2,000 assistance visits have been conducted for Georgia firms since the program began. The asbestos program has assisted dozens of Georgia companies encountering problems with asbestos cleanup in buildings. Through Continuing Education courses, 3,000 participants from Georgia and the other 49 states have been educated in asbestos abatement techniques public presentation have been made to over 3,000 persons during professional organization conferences and legislative regulatory agency hearings and meetings. The staff also publishes a news letter that reaches over 4,000 firms and organizations. Current funding for this activity to accomplish all of the above objectives is on the order ot $1M annually.

We have a technology commercialization program which is aimed at providing technical assistance to minority-owned firms and assisting minority entrepreneurs in getting their products evaluated, developed and commercialized.

Our Energy Conservation Program provides in-plant energy audits, workshops, and technical assistance to promote energy conservation in Georgia. This energy conservation program has resulted in an annual cost savings in Georgia of $368M, while the current funding level for the program is $250K per year.

We also have an Agriculture Technology Program, which gives engineering assistance in adapting high technology to increasing the productivity of Georgia's poultry industry. Happily, this program is totally supported through private industrial and state funding.

We operate a network of 12 field offices throughout the State of Georgia serving every community, under a management and technical assistance program, which is supported in part by the State of Georgia, with the remaining funding coming from private industry and local government contracts.

But our purpose today is to focus attention on the Trade Adjustment Assistance program at the Georgia Tech Research Institute. Before making a few introductory remarks regarding that activity, I might mention that our academic colleagues in the School of Textile Engineering at Georgia Tech have also conducted a number of research projects for the Trade Adjustment Assistance Program in support of the apparel industry. The titles of some of these research projects are:

1. Improving Productivity at the Textile/Apparel Interface
2. Automated Apparel Assembly
3. Development of an automated Trouser-Front-Pocket-Machine

The success of this last project is demonstrated by the commitment of the Levi Corporation to install these machines in one of their plants. Two other companies are also evaluating the concept with operating machines on the floor. Currently, the Defense Logistics Agency is considering the application of the machine concept and its technology to battle-dress uniform production.

A point I am really trying to make with these examples is that efforts at GTRI in the service and technical and assistance projects as well as in our research and development efforts are very much directed toward a "hands on" practical approach rather than simply conducting studies.

You'll be hearing some detail about our GTRI Trade Adjustment Assistance Program from the next speaker. But, before I introduce him, I would like to make a few comments concerning that organization. We are one of 13 TAAC Centers, established in 1978. An evaluation of all centers prepared by the Associated Research Analysis Corporation cited our center as having

"A technical assistance delivery system . . . that is the most effective system evaluated . . . It may be characterized as well managed and flexible in that each technical assistance effort is closely tailored to the firms' problems and needs, performed in a relatively short period of time and of high quality."

We were visited last year by Mr. Don Baker, who was then Deputy Assistant Secretary for Trade Adjustment Assistance. Mr. Baker had been concerned about such a program being located at Georgia Tech (or any university) and about the practicality and results-orientation of the staff. As he left office in January, he wrote a very positive letter to the director of our program, a copy of which is attached.

We are very proud of our Trade Adjustment and Assistance Program at GTRI which has been in operation since 1978. We feel that we have made a genuine contribution to the economy of the industries of the South; in the process, we have put together a highly trained, very experienced and totally dedicated staff. We feel that there has been a significant mulitplier in terms of benefits from the program for the amount of funding that has been invested. I think you will hear later in testimony from individual companies which have been helped. While we appreciate the climate of conservation in arriving at the federal budget for the coming year, we are also mindful of the cost-effectiveness of this activity and of the fact that an enormous amount of dynamic motion would be lost in trying to reinitiate such a program if it were curtailed, even for a period of 6 months to a year. The fact remains that the problems, which are being addressed, have not gone away and are indeed being greatly accentuated by the current high value of the dollar. This is a program that gives industry an opportunity to help itself with enlightened assistance from knowledgeable professionals.

I urge favorable consideration of this on-going activity. Thank you for your attention.

International Trade Administration,
Washington, DC, January 18, 1985.

Robert Springfield,
Southeastern TAAC, Engineering Experiment Station,
Georgia Institute of Technology, Atlanta, GA.

Dear Bob: As you know, I am leaving the helm of the TAAC program.

As I do so, I want to express my sincere appreciation for your very capable assistance at the Southeastern TAAC. I am grateful for your recommendation on the Florida satellite survey and for the many other creative ideas of you and your outstanding staff in helping companies become more productive and price competitive in the international marketplace.

The TAAC program is indeed a winner, Bob, thanks to the talent and dedication of people like yourself, Chuck, Ed, Johanna, and the other members of your staff. Please extend thanks to those outstanding people.

Warm regards,

DONALD T. BAKER.

Chairman GIBBONS. Thank you.

Mr. Springfield.

STATEMENT OF ROBERT W. SPRINGFIELD, DIRECTOR, SOUTHEASTERN TRADE ADJUSTMENT ASSISTANCE CENTER, GEORGIA TECH RESEARCH INSTITUTE

Mr. SPRINGFIELD. Mr. Chairman and members of the committee, my name is Bob Springfield and I am the director of the Southeastern Trade Adjustment Assistance Center, also known as SETAAC.

I would like to open this morning by reading a statement to you at the request of the Department of Commerce as follows:

I appear before you today not as a paid representative of the Southeastern TAAC, but as an employee of Georgia Tech and as an individual and on my own time. I am not an employee of the Department of Commerce, and my views do not represent the views of the Department of Commerce.

Chairman GIBBONS. That is helpful.

Mr. SPRINGFIELD. Thank you.

Likewise, all Georgia Tech employees appearing before you today express their own views in their statements.

Chairman GIBBONS. That is good.

Mr. PEASE. I think we will get a straight answer, then.

Mr. SPRINGFIELD. I appreciate the opportunity to talk with the subcommittee this morning about a program that I have been involved with for 5 years—the Trade Adjustment Assistance Program for Firms. It offers indepth business assistance; this, in contrast to other government business assistance programs which dispense advice and information to numerous firms. I believe that this program generates taxable income, preserves American jobs, and pays for itself many times over.

Nationwide, there are 13 TAAC's. Six operate from universities, four from economic development organizations, and three from single-purpose nonprofit corporations. All are staffed by full-time professionals who have appropriate business and industry expertise.

In the eight States served by the Southeastern TAAC, the top three manufacturing industries are textiles, machinery and apparel. Our analysis concludes that 83 percent of this industry base may be threatened by imports. Our clients also come from industries as diverse as furniture, electronics, and seafood processing.

Now let me tell you how we help firms. The assistance process begins with a diagnostic study which identifies the steps that a firm can take to improve its business performance. Firms may implement the recommendations of a diagnostic study without further TAAC assistance.

Mr. Barrocas, an owner of Injection Footwear Co., has implemented such recommendations and has related that this was an important factor in the survival of his firm. The firm may also elect to request TAAC assistance to implement the study recommendations.

Favorable turnaround of an import-impacted company may take many months, sometimes more than a year. Southeastern TAAC has worked for 18 months to assist in the design and production of new machinery parts sold by the Pioneer Division of the Ellison Corp. Today, these newly designed products account for the majority of Pioneer's sales.

The realization of adjustment can take many forms, but apparently this concept is misunderstood by some of the program's critics.

There are combative adjustment strategies where a company competes head on with imports. An example of this is National Bedding and Furniture of Memphis, TN, a producer of wooden dinette sets. TAAC recommended that it could compete in its current product line, and today National Bedding's employment is up from 360 to 386, and sales are up by $9 million.

An adjustment which eliminates unprofitable product lines and reduces overhead to stabilize the firm at a smaller but profitable level is a successful adjustment. Mr. Paul Owenby of Owenby Manufacturing Co. in Blairsville, GA, will tell you today of such an adjustment for his firm.

Diversification of product lines can result in successful adjustment even when sales volume is lower than previous levels. The Outdoor Venture Co.'s tent division sales declined from $12 million to $10 million. But the Southeast TAAC has helped convert the company's plant from recreational tent production to military tent production. Employment has stabilized, and the firm is still profitable.

Some firms adjust to imports by selling the same product to a different customer base. Stanley Knitting Mills, an apparel firm, employed this strategy. Stanley's sales have gone from $17 to $22 million in 3 years.

It takes only a few instances of successful adjustments to pay for the program. In the 7 years since it has entered the program, our client, Dawson Industries, has increased its sales from $5 to $30 million. Its corporate income taxes have increased from $4,000 to an estimated $700,000 annually. Total personal and corporate taxes are estimated at $1.5 million per year. This compares to the Southeastern TAAC budget of $1.3 million Federal last year.

I submit to you that this program is not a subsidy but a smart investment, and any analysis which does not consider this aspect of the program is incomplete.

Thank you.

[The prepared statement and attachments follow:]

STATEMENT OF ROBERT W. SPRINGFIELD, DIRECTOR, SOUTHEASTERN TRADE ADJUSTMENT ASSISTANCE CENTER, GEORGIA TECH RESEARCH INSTITUTE

SUMMARY

Trade Adjustment Assistance for firms is an investment to fund an authoritative analysis to identify viable ways that a firm can adjust to import competition.

There are 13 separate Trade Adjustment Assistance Centers. All are intermediary organizations staffed by full-time professionals with appropriate business and industry experience.

Assistance provided to firms is in-depth and extensive.

83 percent of the 11,925 facilities of the 3 largest Southeastern manufacturing industries could be threatened by imported products.

Assisted firms may implement strategic actions specified by the adjustment plan without assistance from the TACC or the firm may receive extensive, long term assistance to implement its plan of action.

Adjustment strategies have many forms and many outcomes. Overall tax revenues from a TAAC assisted, adjusted firm and its employees provide a positive cash flow to the U.S. treasury vis a vis overall expenses.

Introduction

Mr. Chairman, my name is Robert Springfield and I am the Director of the Southeastern Trade Adjustment Assistance Center (TAAC). I would like to open this morning by stating to the Subcommittee that I appear before you today not as a paid representative of the Southeastern Trade Adjustment Assistance Center, but as an employee of Georgia Tech and as an individual, and on my own time. Any views I may express are entirely my own and do not necessarily represent the views of the Department of Commerce or Administration. Likewise all, other witnesses employed and by the Georgia Tech appearing before you today, represent their own personal views.

I appreciate the opportunity to talk with the Subcommittee this morning about a business assistance effort producing gains greater than the cost assistance itself. Specifically, I refer to the Trade Adjustment Assistance Program for Firms established by the 1974 Trade Act, an effort to transfer business and financial expertise to domestic industries struggling against the onslaught of foreign competition. Such assistance involves a modest investment to fund an authoritative examination of a company's problems, a business analysis to identify viable ways that a firm can adjust to import competition.

The Trade Adjustment Assistance Program for Firms and Industries offers in-depth counseling instead of economic platitudes and, most important, it demonstrably generates taxable income and conserves American jobs, thus paying for itself many times over.

Thirteen Trade Adjustment Assistance Centers (TAACs) serve various geographic regions of the United States. Six operate from universities, four from economic development organizations and three from single-purpose non-profit corporations. All are staffed by full-time professionals having appropriate business and industry expertise.

This center, the Southeastern TAAC, was established in October 1978 at the Georgia Tech Research Institute (affiliated with the Georgia Institute of Technology). It provides trade adjustment assistance to import-injured firms in Florida, Mississippi, Tennessee, Alabama, Kentucky, North Carolina, South Carolina and Georgia.

Main activities include:

Conducting outreach programs to inform interested parties of the program's availability;

Assisting firms with applying for program eligiblity;

Assisting firms in diagnosing problems and preparing an adjustment plan which defines actions to overcome these problems and take advantage of opportunities;

Assisting firms with implementation of strategies and executions of actions prescribed in the adjustment plan. Implementation of technical assistance usually involves efforts extending over several months.

I repeat here—a significant feature of the assistance provided by TAACs is the extensive, in-depth nature of the help which contrasts to other government assistance programs dispensing information and advice to numerous firms.

In the eight states served by the Southeastern TAAC, the top three manufacturing industries (by employment) are textiles (not including man-made fibers), machinery, and apparel. These industries together employ 1,421,910 people, or 42 percent of the Southeast's manufacturing employment base and occupy 11,925 facilities in the region. Matching the product lines of these companies to products of companies that have filed for trade adjustment assistance indicates that 83 percent of these 11,925 facilities could be threatened by imports competition.

The Southeastern TAAC annually assists 35 to 50 companies-experiencing declines in sales, production or employment-with diagnostic business planning or implementation assistance. Although most clients come from the above industries, the Southeastern TAAC has received recent increased requests for assistance from wood products and furniture firms, and, in fact, has helped industries as diverse as electronics and seafood processing. Import categories have few limits.

Competition from foreign products grows monthly, and some observers anticipate that import impaction may adversely affect the burgeoning high tech concens widely heralded as replacements for the more traditional industries. An article, "America's High-Tech Crisis," in the March 11, 1985 issue of Business Week magazine states, "The electronics industries—one of the country's largest manufacturing employers, with a work force of 2.6 million—are in jeopardy of being gradually transformed into a distribution business for foreign manufacturers."

Nature of assistance

The technical assistance process begins with a Diagnostic study which identifies the steps a firm can take to improve its business performance. In some instances, firms may implement the recommendations of a diagnostic study without further TAAC assistance. Today, you will hear from one such firm, Injection Footwear. The diagnostic study indicated the firm could substantially reduce its costs by placing all of its direct labor employees on a wage incentive plan and implementing a computerized inventory system. Mr. Barrocas, one of the firm's owners, has related that implementation of these recommendations was a major factor in the survival of his firm.

Favorable turnaround of an import-impacted company may take many months, sometimes more than a year. In some cases, the TAAC effort may be limited to the preparation of a diagnostic analysis; in other cases the TAAC may work with a firm over a period of years to implement long-run strategies. It is important to provide the assistance over a period that is sufficiently long enough for the firm to absorb it and implement it in an effective manner. For an example of a long-term TAAC effort, you will hear from the Pioneer Division of the Ellison Corporation, a manufacturer of weaving loom accessories. One of the implementation projects provided by TAAC to Pioneer was the reengineering and upgrading of its product line to make it compatible with modern, European weaving looms. This project involved design, constructing prototypes, field testing, and production of new products over an 18-month period. Today these newly designed products account for the majority of the Pioneer Division's sales.

The realization of adjustment can take many forms and is apparently misunderstood by some critics of the program.

There are combative adjustment strategies which consist of competing directly with imports in the marketplace. An example of this is National Bedding and Furniture, Inc., of Memphis, Tennessee. National Bedding manufactures a line of wooden dinette sets. The TAAC recommended that National Bedding could compete in its current product line if it would offer additional complimentary products and provide in-stock delivery.

It did, and National Bedding's employees have risen from 360 in 1982 to 386 in 1985. Sales are up from $20.5 to $29.5 million during the same period. Because of Holiday commitments, National Bedding executives could not be here today to tell you of their experience but they have sent a video taped message which you will see, time permitting.

An adjustment that consists of elimination of unprofitable product lines and reducing overhead to stabilize at a smaller, but profitable level is a successful adjustment. Mr. Paul Owenby of Owenby Manufacturing Company in Blairsville, Georgia who will testify before you today and tell you of such a strategy in which his firm shut down a sewn medical-products plant and with the help of TAAC has concentrated on making the apparel division efficient and profitable. Today, his firm is profitable for the first time in two years. Many of the workers from the medical division were retrained to work in the apparel division plants.

Adjustments that consist in shifts or changes to more saleable product lines are also successful adjustments, even when total sales might not return to previous levels, if the prospects for the firm's survival are good. The Outdoor Venture Company, formerly the 2nd largest recreational tent manufacturer in the United States, has shifted its product line and production facilities to military tents. Outdoor Venture is located in Curry County, Kentucky which has the third lowest per capita income of any county in Kentucky. Outdoor Venture's tent division sales have declined from $12½ to $10½ million and employment has dropped by half. But, with TAAC assistance to reengineering the company's plant for military tents, the employment of the firm is stablized and expected to grow, the company's manufacturing facilities are still useful, and the company is still profitable. Of the current $10½ million in tent division sales $4½ million are military tents. With the prospect of continuing revenues and profits this adjustment can be deemed successful.

Mr. J.C. Egnew, President of Outdoor Venture could not be here today but he has sent a statement which is attached to this testimony. His statement concludes: "The Trade Adjustment Assistance Program for firms is a cost effective means to deal with the threat of displaced workers and this program should be increased rather than decreased if our government plans to continue its free trade policies."

Likewise implementation of a strategy making a firm's manufacturing process more productive and its operations more profitable would be a successful adjustment even if the firm had fewer employees as a result.

Some firms adjust to imports by selling the same product to a different customer base where they are less vunerable to import competition. Stanly Knitting Mills, a vertically integrated manufacturer of women's separate and coordinated knitwear, successfully employed this strategy. The firm's original customer base consisted of many chain and discount stores which elected to purchase imports. Stanly shifted its sales to smaller, specialty stores and expanded style offerings to accommodate this new customer base. The number of customers increased from 500 to 3,000 and the number of stock keeping units increased 5 fold. As a result, the marketing and manufacturing operations became more complex because of the customer and style proliferation. To help Stanly in addressing this problem, The Southeastern TAAC provided assistance with the installation of a management information system to help schedule and coordinate the production of inventory and shipment of orders. Stanly's sales have gone from $17½ million to $22½ million in 3 years. Stanly's production workers have increased from 484 to 550 in the same time period.

Conclusion

We know that the majority of citizens can benefit from free trade but that trade adjustment assistance is needed for those who are its victims.

Generally, firm adjustment involves the successful deployment of strategies which permit all or a portion of the owner's investment to remain profitable and the skills and training of all or a portion of the workers to remain useful to and gainfully employed by the firm.

But adjustment is not easy. It often requires radical changes in a firm's organization and its approach to business. Just as the displaced worker often needs training assistance from qualified sources, a company also needs the guidance and hands-on assistance available from a TAAC.

Clearly, this program pays for itself because the by-products of adjustments are healthier companies that pay income taxes and working men and women who pay income taxes. It takes only a few cases of successful adjustment to pay for the cost of the program many times over.

To illustrate this, I cite the example of Dawson Industries whose statement is attached to my testimony. Dawson Industries is a Georgia apparel firm that shifted from import-impacted ladies lingerie to sportswear, a more import-resistant product line. Dawson received a loan through the program and its plant was reengineered by the TAAC. Over a seven-year period, Dawson's sales climbed from $5 million to an estimated $30 million for 1984. In the year prior to its certification for assistance it paid approximately $4,000 in corporate taxes. The labor force of the firm totaled 350. Now Dawson employees 400 workers and many more workers are employed by subcontractors producing goods for Dawson. The income taxes from corporate profits and the personal income taxes from the 400 employees of the firm are conservatively estimated at $1.5 million per year from just this one firm. This compares to the federal portion of the SETAAC budget for last year of 1.3 million.

I would also like to point out that when worker's jobs are saved, the cost of unemployment is avoided. With an average manufacturing worker drawing $125 per week in unemployment benefits, the saving of even 500 worker jobs could avoid over $1 million in compensation cost to the government in a single year.

The breakeven threshold for this program is very low. This program produces taxes and reduces government expenses. I submit to you this program is not a subsidy but a smart investment and any analysis which does not consider this aspect of the program is incomplete.

Mr. Joe Tallone, Director of the New Jersey TAAC was invited to appear before you today but is not able to be here. He has asked that I submit for your consideration examples of 16 TAAC assisted firms. A copy of his transmittal is attached to my testimony. These 16 firms have collectively realized a 19 percent gain in employment or 701 workers. Sales for these same firms have increased by $69.9 million dollars or 28 percent. Mr. Tallone also states that in the last 2½ years that New Jersey TAAC clients have closed 8 Trade Act Loans for a total of $6.6 million dollars. Of these loans only 1 loan or $290,000 is in default. This represent only 4% of the total face value of the loans.

The subcommittee has requested a brief on the TAAC assistance process of which I have given an overview. You will hear today more detailed information on this process from other members of the Southeastern TAAC staff and from clients assisted by the Southeastern TAAC.

TOP THREE MANUFACTURING INDUSTRIES [1] BY EMPLOYMENT FOR SETAAC REGION

	Size by number of employees, of facilities subject to import competition		
	1-99	100 and over	Total
Total region:			
Textiles	825	1,099	1,924
Machinery	4,177	918	5,095
Apparel	1,471	1,470	2,941
Total top 3	6,473	3,487	9,960
Alabama:			
Apparel	144	190	334
Machinery	417	67	484
Textiles	50	99	149
Total top 3	611	356	967
Florida:			
Machinery	1,021	208	1,229
Transportation equipment	233	46	279
Apparel	330	64	394
Total top 3	1,584	318	1,902
Georgia:			
Textiles	107	174	281
Apparel	228	252	480
Machinery	498	107	632
Total top 3	860	533	1,393
Kentucky:			
Machinery	322	75	311
Apparel	75	91	166
Fabricated metal	140	39	179
Total top 3	537	205	656
Mississippi:			
Apparel	73	166	239
Machinery	319	44	363
Transportation equipment	43	23	66
Total top 3	435	233	668
North Carolina [2]			
Textiles	391	489	880
Machinery	603	203	806
Furniture	95	106	201
Total top 3	1,089	798	1,887
South Carolina:			
Textiles	92	244	336
Machinery	442	104	546
Apparel	154	147	301
Total top 3	688	495	1,183
Tennessee:			
Machinery	528	110	638
Apparel	172	222	394

TOP THREE MANUFACTURING INDUSTRIES[1] BY EMPLOYMENT FOR SETAAC REGION—Continued

	Size by number of employees, of facilities subject to import competition		
	1–99	100 and over	Total
Chemical	67	36	103
Total top 3	767	368	1,135

[1] Excluding agribusiness and food products

[2] NC's 4th largest industry is apparel which has more apparel employees than any other Southeastern State

Source of employment figures: County Business Patterns, 1982. Source of facility figures: individual State industrial directories.

TOP THREE MANUFACTURING INDUSTRIES[1] BY EMPLOYMENT FOR SETAAC REGION

[Table shows regional totals and figures for individual States, each industry's percent of manufacturing employment, and the percent of facilities subject to import competition]

	Number of facilities per industry	Number of employees per industry	Industry's percent of manufacturing employment	Percent of facilities subject to import competition
Total region:				
Textiles	2,560	512,061	15	75
Machinery	2,993	507,128	15	80
Apparel	6,372	402,721	12	98
Total top 3	11,925	1,421,910	42	83
Alabama:				
Apparel	334	57,304	17	100
Machinery	625	36,351	11	77
Textiles	159	32,923	10	94
Total top 3	1,118	126,578	38	87
Florida:				
Machinery	1,595	103,685	22	77
Transportation equipment	429	48,416	11	65
Apparel	401	33,634	7	98
Total top 3	2,425	185,735	40	78
Georgia:				
Textiles	488	96,762	19	58
Apparel	494	71,684	14	97
Machinery	761	47,534	9	83
Total top 3	1,743	215,980	42	80
Kentucky:				
Machinery	537	61,846	24	58
Apparel	168	24,011	9	99
Fabricated metal	402	18,403	7	44
Total top 3	1,107	104,260	40	59
Mississippi:				
Apparel	243	35,182	17	98
Machinery	438	32,997	16	83
Transportation equipment	129	21,590	11	51
Total top 3	810	89,769	44	82
North Carolina:[2]				
Textiles	1,197	221,095	27	73
Machinery	977	101,989	13	82
Furniture	548	77,511	10	37

TOP THREE MANUFACTURING INDUSTRIES[1] BY EMPLOYMENT FOR SETAAC REGION—Continued

[Table shows regional totals and figures for individual States, each industry's percent of manufacturing employment, and the percent of facilities subject to import competition]

	Number of facilities per industry	Number of employees per industry	Industry's percent of manufacturing employment	Percent of facilities subject to import competition
Total top 3	2,722	400,595	50	69
South Carolina:				
Textiles	384	120,938	32	88
Machinery	623	50,724	13	88
Apparel	301	44,095	12	100
Total top 3	1,308	215,757	57	90
Tennessee:				
Machinery	816	72,002	15	78
Apparel	405	59,944	13	97
Chemical	252	51,318	11	41
Total top 3	1,473	183,264	39	77

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[1] Excluding agribusiness and food products.

[2] NC's 4th largest industy is apparel which has more apparel employees than any other Southeastern State.

Source of employment figures: Country Business Patterns, 1982. Source of facility figures: individual State industrial directories.

AMERICA'S HIGH-TECH CRISIS

WHY SILICON VALLEY IS LOSING ITS EDGE

Item: Homegrown technology enabled two Silicon Valley companies—Qume Corp. and Diablo Systems Inc.—to dominate the soaring market for daisy-wheel computer printers. Then came a flood of Japanese machines with lower price tags, and their market share tumbled. Though they tried to compete by moving production offshore, the two U.S. companies now share just 15% of a $1 billion market.

Item: General Electric Co. has concluded there's no benefit in manufacturing consumer electronic products in the U.S. except for "a parochial sense of control," so it is automating its Far East plants.

Item: TIE/communications Inc. started out by buying telephone products overseas, then it gradually pulled back most of its manufacturing to the U.S. Now the company is shifting gears again and is cutting back domestic production. "The competitive position of the Far Eastern countries is superior to ours," says TIE President Thomas L. Kelly Jr.

Suddenly, such ominous developments are becoming commonplace in California's Silicon Valley and other U.S. high-tech enclaves. America's vaunted leadership in high technology, the wellspring of innovation for the entire industrial sector, is eroding rapidly in every major electronics market. The trend reflects nothing less than a crisis in U.S. high technology.

Even Silicon Valley executives were shocked recently when they toted up last year's preliminary import-export figures for U.S. high-tech industries. For the first time ever, the nation's electronics sector, long a positive contributor to the U.S. trade balance, had gone into the red (chart, page 89). And not just slightly. The U.S. chalked up a massive $6.8 billion deficit. And the red tide is rising fast. This year the trade deficit in electronic products should hit at least $12 billion, predicts the American Electronics Assn.

Competitive problems in high tech go far beyond current economic problems, such as the overvalued dollar that inflates the cost of American goods. Unquestionably, the dollar's strength has "exacerbated the situation dramatically," acknowledges John A. Young, president of Hewlett-Packard Co., who has just submitted to the White House a strategic plan for dealing with America's overall competitive weakness. But the strong dollar is not the root cause. The balance of trade in the crucial semiconductor industry has been slipping since the late 1970s, or before the dollar began its big climb in 1980.

CRYING UNCLE. The trade tumble is also more than just fallout from the business cycles that rock Silicon Valley. The import-export deficit in semiconductor chips, for example, piled up even during the industry's boom times of 1983.

But the trade problem undoubtedly is accentuating the semiconductor industry's current severe slowdown, which is forcing layoffs or plant shutdowns. Chip demand continues to climb, but bloated inventories are causing real pain. Intel Corp. recently slashed employment by 900, or 4% of its work force. In late February, two more chipmakers cried uncle. Texas Instruments Inc. is extending its reduced work schedules through the first half—prompting one analyst to cut his earnings forecast for TI in half, which sent the company's stock price down by more than $8 a share on Feb. 25 (page 89). And Micron Technology Inc., an Idaho chipmaker, says it is slashing its work force of 1,250 in half.

If this erosion continues unchecked,

DOWN IN THE VALLEY: LAST YEAR, FOR THE FIRST TIME, THE U.S. ELECTRONICS INDUSTRY RAN A DEFICIT WITH JAPAN

America's high-tech sector will soon be in danger of losing its world leadership position. "When you look at the figures on international trade, the trends are not right," says Ian M. Ross, president of AT&T Bell Laboratories. He is not about to throw in the towel, however. "We're still ahead in technology, and we can stay ahead," Ross maintains. "But it will take some reordering of our priorities."

The basic problem is that U.S. high-tech companies are no longer consistently able to translate their technology into competitive products. Instead, they are being forced to turn increasingly to overseas suppliers for electronic components they can't make competitively at home. As a result, the electronics industries—one of the country's largest manufacturing employers, with a work force of 2.6 million—are in jeopardy of being gradually transformed into a distribution business for foreign manufacturers.

A NEW TONE. The severity of the situation is masked by the fact that U.S. brand names continue to dominate critical markets, such as computers and scientific instruments—although many of their components are actually turned out by foreign workers in foreign factories.

A case in point: The U.S. share of worldwide computer sales is holding relatively firm at more than 80%. Yet trade figures by U.S. companies in that market are taking a nosedive because an ever-growing percentage of this equipment is purchased abroad. Most computer terminals, for example, are made in Korea, and Japan has grabbed the lion's share of the business in computer printers and disk drives.

America's high-tech trade problem centers largely on the huge and growing deficit with Japan. The red ink from the exchange of electronic products between the two nations swelled from $9 billion in 1983 to about $15 billion in 1984. That was more than the deficit in automobiles. And analysts at the American Electronics Assn. expect the overall high-tech debit to Japan alone will hit an awesome $20 billion this year.

Faced with such a massive imbalance, even Silicon Valley, traditionally a bastion of free-trade sentiment, is beginning to clamor for protection. "I'm not being asked to seek Detroit-style quotas," says Ralph J. Thomson, who lobbies Washington on behalf of the 2,700 corporate members of the AEA. But he adds that many top executives now are questioning "whether we should retain our unfootnoted free-trade stance."

One person doing more than just questioning is Robert W. Galvin, the silver-haired chairman of Motorola Inc. Furious about what he considers unfair competition from Japan, he is champion-ing a call for several measures to redress trade grievances, including a 20% surcharge on imports. Declares Galvin: "This is street fighting."

NO HOPE. For a growing number of managers, the battle is all but over unless Washington acts to offset the advantages that Japanese companies enjoy. "There's just no hope. We're facing a head wind that's impossible to overcome," worries Gilbert F. Amelio, president of Rockwell International Corp.'s Semiconductor Products Div. and a director of the Semiconductor Industry Assn.

H-P's JOHN YOUNG

In mid-February, Hewlett-Packard's Young submitted his strategic plan to the White House on behalf of the President's Commission on Industrial Competitiveness, a group he chaired and which studied the issues for nearly 18 months. Young says his blue-ribbon group concluded that "there are no simple fixes. What we have to do is rededicate ourselves to the fundamentals, especially manufacturing productivity," since that is the only way to remain competitive without diminishing the U.S. standard of living.

The Young commission's report, which apparently has generated no more than polite applause among Administration officials, criticizes U.S. performance in several key areas:

☐ **Technology.** The U.S. is frittering away its lead in high tech by spending too little on civilian research and development. Expenditures there have fallen behind those of our trading partners as a percentage of gross national product. Meanwhile, military R&D—half of the country's total outlay of $100 billion—no longer pushes civilian technology as it did in the 1950s and 1960s.

☐ **Manufacturing.** Even more damaging is industry's failure to master the discipline of modern manufacturing. "It does little good to design state-of-the-art products," according to the report, "if within a short time our foreign competitors can manufacture them more cheaply." But U.S. companies are hard-pressed to match Japanese investments in manufacturing because the cost of capital here is double what it is in Japan.

☐ **Capital.** The high cost of capital in the U.S. is the result of three problems: Americans save too little, the government spends too much, and the tax system is biased against investment. "The one thing that's clear is we aren't saving and investing in industry," says Robert N. Noyce, Intel's vice-chairman. "The Japanese can invest twice as much as we can, and [because of the overvalued dollar], their products are 25% cheaper than they should be."

☐ **Antitrust.** To determine what is or isn't anticompetitive, the Justice Dept. needs to consider overall world market positions, not just those of the U.S. market. "We have to stop shooting ourselves in the foot," says Ross of Bell Labs, because bigness is sometimes the only way to butt heads with the giant, integrated companies in Japan and Korea. Only multibillion-dollar companies, such as International Business Machines Corp. (page 62), can afford to match manufacturing investments with Japan.

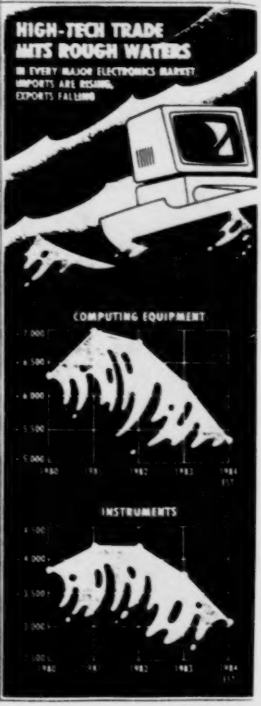
☐ **People.** American workers are still mired in adversarial relationships with management that "may no longer serve the best interests of both parties and the public," claims the Young report. Furthermore, the U.S. isn't doing enough to help the workers adapt to changes in technology or to provide engineers in the numbers required by high-tech industries.

☐ **Trade policy.** The U.S. hasn't kept up with the new realities of world competition. Washington responds belatedly, if at all, to damage caused by dumping or foreign government policies that distort trade flows. John Zysman, a director of the Berkeley Roundtable on the International Economy (BRIE), contends that present U.S. policies, left unchanged, will eventually provoke "a violent protectionist reaction."

Sweeping changes in business and government alike will be needed to address these problems. The Young commission didn't come up with any magic formulas, but it does hammer home the need to get on with previous proposals, such as creating a Cabinet-level Science & Technology Dept. to coordinate research efforts—and a Trade & Industry Dept. to help focus federal resources on international competitiveness.

As a bare minimum, commission members believe it's essential to retain the R&D tax credit. Better still, the commission would like to see the credit expanded to include all R&D spending. Trimming the federal deficit to ease interest rates is another top-priority item. Finally, says Young, because "tax policy is one of the most important de facto industrial policies we have," the report urges revising the tax code to stimulate savings and long-term investments.

The sensitivity to high-tech issues in Congress seems to assure that at least some of the Young commission's proposals will get a hearing, and soon. Representative John J. LaFalce (D-N.Y.), chairman of the House Economic Stabilization subcommittee, plans to hold hearings on Mar. 5. "This is a good report," he says, adding that he is determined not to let it sink into oblivion. He suspects, however, that President Reagan would prefer that to happen, since it contradicts the Administration on industrial competitiveness. "Basically," notes LaFalce, "they've said we don't have a competitiveness problem, and if there is a problem, it has more to do with an



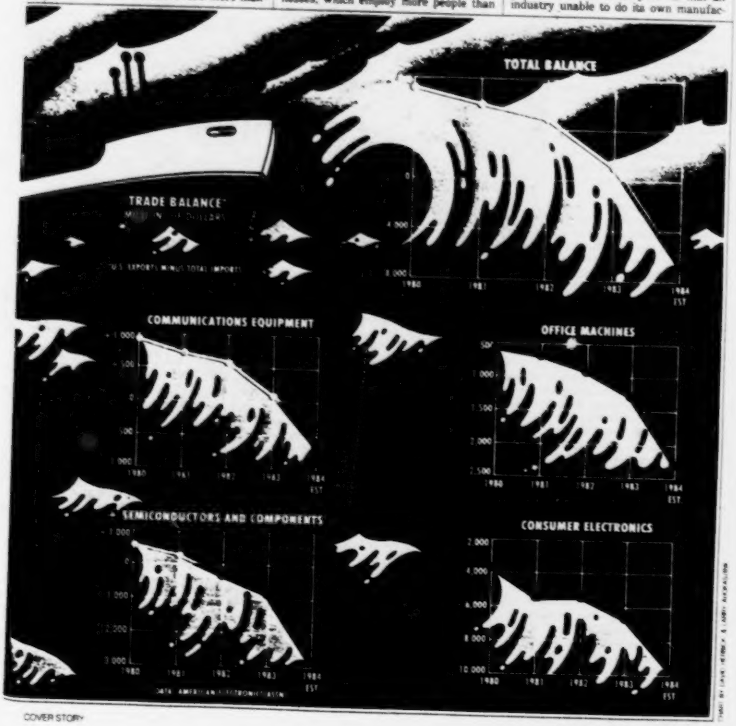
overvalued dollar than anything else."

But the Reagan Administration is already on record as opposed to the idea of a Science & Technology Dept. And there is powerful opposition in the Cabinet to a Trade & Industry Dept. Secretary of State George P. Shultz fiercely opposes the concept on the grounds that it would infringe on the conduct of foreign policy. He is backed by Robert C. McFarlane, Reagan's national security adviser, as well as Treasury Secretary James A. Baker and Agriculture Secretary John R. Block.

Without at least the minimum remedies, high-tech companies will have little choice but to move more and more manufacturing offshore. Some executives don't find that notion disturbing. In fact, they believe the U.S. will ultimately end up functioning as a hothouse for new technology and venture capital startups. Then, when a business gets firmly established, it would shift its production to Asia or South America. If that happens, says Simon Ramo, a director of TRW Inc., "America goes into the financial management business rather than the production business."

MAKING BULLETS. Galvin of Motorola practically chokes when he hears that line. He argues that it ignores the disastrous effects on America's small businesses, which employ more people than large companies and create 80% of all new jobs. For companies the size of Motorola, competing with Japan isn't a question of survival, because Motorola can simply pick up and move offshore. But smaller companies don't have that mobility—and they already are in deep trouble. "People we used to do business with, we can't anymore," Galvin says, because they aren't competitive. "Instead of buying a given part from a supplier down the street in Chicago," he asserts, "I buy it from a supplier down the street in Osaka."

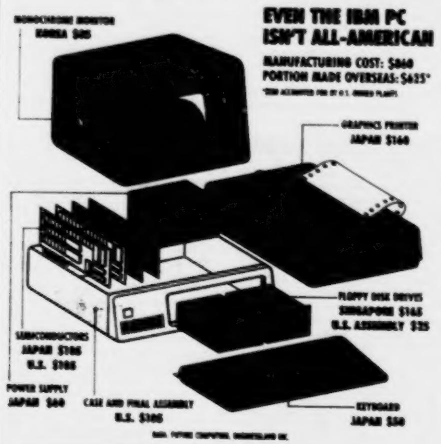
The danger in this exodus—apart from the loss of U.S. jobs—is that an industry unable to do its own manufac-



turing may end up vulnerable to competitors that don't have to pay a middleman. That was how the U.S. consumer electronics industry played into the hands of the Japanese back in the 1960s, warns C.J. van der Klugt, vice-chairman of Philips, the Dutch electronics giant. Japan subverted the U.S. industry by first supplying cheap parts, then subassemblies, and finally finished products labeled with U.S. brand names. Eventually, he says, key engineering and production skills in consumer electronics dried up, leaving the U.S. extremely vulnerable in all electronic markets because "the difference between consumer electronics and professional electronics is gradually disappearing."

Because the Japanese have made no secret of their goal to dominate the world's computer and communications markets, van der Klugt is incredulous that U.S. companies didn't learn their lesson from consumer electronics. "You are helping make the bullets that will shoot at you in the future," he says. "First you move production to the Far East, then the development of the product will go there," the Dutch executive says. U.S. companies are deluding themselves if they believe they can control their destiny, yet do only 25% of the manufacturing, says E. David Crockett, president of Dataquest Inc., a market researcher specializing in high tech. "American industry is becoming a distribution business," he charges, "and we haven't even noticed we are in trouble."

In computers, a field where the U.S. has held a seemingly unshakable lead in technology, foreign producers have increased their penetration of the U.S. market only slightly in terms of dollars, from 2.9% in 1981 to 4.2% last year. Yet the imports of computer equipment, mainly components and peripherals, doubled to $8.3 billion last year, while exports grew a modest 30% to $13.7 billion, according to InfoCorp, a computer industry market researcher. Even IBM's hot-selling Personal Computer is built largely from pieces made overseas.



DATA: FUTURE COMPUTING, [illegible]

For the rest of this decade and into the 1990s, communications technology will be a major battleground. By breaking up American Telephone & Telegraph Co. and deregulating the equipment business in the world's primary communications market, the U.S. provided foreign competitors with the biggest unilateral trade concession of the decade—with no quid pro quo at all for U.S. manufacturers. Most foreign markets remain safely closed to U.S. products.

As a result, U.S. imports of communications products jumped 31% last year, to an estimated $4.2 billion, while exports grew only 6%, to $3.6 billion. Some 34 million telephones have poured into the U.S. over the past three years, notes James R. Carreker, a senior vice-president of Dataquest. "That exceeded the total available market, and as a result, these products were being given away."

Motorola's Galvin fears that a similar bloodbath is imminent in the cellular mobile telephone market. And another onslaught is likely in sophisticated office telephones and the private branch exchanges (PBXs) that link them to the outside world. Carreker reports that Japan's NEC Corp. more than doubled its share of the $3 billion U.S. digital PBX market last year to 5%.

Japan also intends to "privatize" much of the business that had been monopolized by Nippon Telegraph & Telephone Public Corp. (NTT), and U.S. trade negotiators are in intense discussions now with Japanese officials. They hope to ensure that U.S. equipment makers will get fair access to Japan's market. So far, the negotiations have centered on such specifics as how U.S. telecommunications gear will be certified (page 67). But many Washington insiders privately say the Japanese are stalling, as usual, until subtle anti-American provisions are published. "Unless they make major changes in their proposed ordinances," warns Commerce Secretary Malcolm Baldrige, "they will have the ability to keep out American competition."

CHIP WARS. The mood in Washington seems primed for retaliation. Mark S. Fowler, chairman of the Federal Communications Commission, has openly hinted that he might use his agency's licensing and certification powers to curb Japan's access to U.S. markets. Representative Matthew J. Rinaldo (R-N.J.) has introduced legislation that would require the FCC to deny certification to telephone equipment from countries that are deemed to have violated fair trading practices with the U.S.

The battle over communications is especially critical to the competitive position of the U.S. semiconductor industry. "The major driving market for the remainder of the decade is telecommunications," says Michael G. Borrus, who tracks the chip business for BRIE, a think tank funded partly by Silicon Valley companies. Japanese producers have already taken major strides toward wiping out the U.S. lead in semiconductors, Borrus observes, and he worries that gains in communications will help them finish the task by providing new mass markets for advanced chips.

Japanese producers have been gaining

market share in computer memory chips since the late 1970s. Last year their dominance of the market for workhorse 64K RAM chips, which store more than 64,000 bits of data, helped the Japanese add 3 percentage points to their share of the U.S. market, bringing it to 16%. Analysts at the Semiconductor Industry Assn. figure that Japan's penetration this year will climb close to 20% as 64K memory chips are displaced by 256K RAMs—a major new product almost completely dominated by Japanese makers. G. Dan Hutcheson, executive vice-president of VLSI Research Inc. in San Jose, Calif., says he is "very pessimistic about the U.S. semiconductor industry. The Americans have lost the battle in memories but haven't recognized it."

SPLITTING THE MARKET. Chipmakers in the U.S. meanwhile, are bitter about the lack of progress under a 1983 agreement designed to open Japan's market. Although their penetration did expand from 9% to 11% last year, the gains evaporated during the fourth quarter. W. J. "Jerry" Sanders III, chief executive of Advanced Micro Devices Inc., says that after his chip sales doubled in Japan, "that business died" by yearend. Once the supply crunch abated, Japanese buyers went back to local suppliers.

> 'American industry is becoming a distribution business, and we haven't even noticed we are in trouble'

Meanwhile, the current downturn in semiconductor orders is likely setting the stage for another leap ahead by overseas competition. While the Japanese continue to add capacity at a frenetic pace, "the U.S. has cut back quite a bit from what we originally planned to spend," says President Charles E. Sporck of National Semiconductor Corp. He insists that the U.S. has made progress toward removing Japan's advantage in high-volume production, but he admits that "the U.S. industry is in deep trouble, long-term, if the Japanese keep their cost-of-capital advantage."

About the only feather in America's high-tech cap that no outsider yet threatens is the ability of U.S. engineers and entrepreneurs to come up with technical breakthroughs and creative software products. Fortunately for the U.S., some industry trends appear to be playing to these strong points.

Technology improvements are driving the semiconductor industry away from the commodity products targeted by Japan and toward custom-designed parts. The resulting product proliferation and market fragmentation will make it more difficult for the Japanese, suggests Wilfred J. Corrigan, president of LSI

IBM'S FANATICAL DRIVE TO BEAT JAPAN IN MANUFACTURING

American manufacturing can be overhauled to compete with low-cost production overseas, and a 25-year-old factory in Lexington, Ky., proves it. International Business Machines Corp. spent $350 million to gut the building and convert it into one of the U.S.'s most automated plants—the launching platform for Big Blue's counterattack against a flood of imported electronic typewriters. The factory—squeaky-clean and quiet but for unmanned delivery carts that hum along their programmed way on overhead tracks—won't be running full bore for at least another year. By then, it will be turning out 4,000 typewriters and computer printers daily.

IBM is mounting an almost fanatical campaign to prove that its manufacturing can match—or better—anybody's. Since 1979, it has invested about $13 billion in its factories to improve quality and reduce breakeven points. "The impetus behind our desire to be the low-cost producer is the Japanese," acknowledges Edward M. Davis, IBM's vice-president for manufacturing.

The new technology embodied in IBM's latest electronic typewriters and printers is "the envy of Japanese competitors," says Enzo N. Torresi, senior vice-president of Businessland Inc., a major IBM personal computer retailer. The new Quietwriter computer printer combines the speed and versatility of dot-matrix printers with the print quality of daisy-wheel machines, yet it sells for between $1,400 and $1,800.

Building even lower-cost computer printers—priced at a few hundred dollars—in the U.S. has so far proved to be a tougher nut to crack. "There's no evidence that IBM or anyone can make low-end printers outside of Japan or Korea," Torresi maintains. IBM's current low-end printers, he notes, are supplied by Japan's Epson Corp.

LESS LABOR. Torresi just may be underestimating Big Blue's commitment to manufacturing. The Lexington plant is merely the company's public showcase—IBM is hiding at least one more plant, admits Davis, that is even more automated. One consultant, who has worked for IBM, places this ultramodern factory in North Carolina and claims it may be dedicated to a yet-unannounced product: the type of cheap, dot-matrix printers that are now produced almost exclusively in Japan. It is, he says, the acid test of IBM's thrust to compete head-on against savvy Japanese manufacturers. Company officials are mum on details.

At many of its 41 plants around the world, IBM is conducting meticulously controlled experiments to find the most efficient way to design, source, and assemble products. The business unit that produced the IBM PC—the first IBM product to consist mostly of purchased components—was one such trial, and it succeeded grandly. IBM shipped close to 2 million PCs last year, and they contributed about 9% of the company's $46 billion revenues. Overall, IBM has three times as many automated lines today as it did in 1980, and Davis asserts they have put product reliability on a par with that of Japan's best performers. "We started late," he says, "but we're running like mad."

In 1980, before the Lexington plant was automated, labor accounted for about one-third of manufacturing costs there. Today, it counts for less than 10%, and by 1986 it will shrink to 5%. Consistent with IBM's practice of job security, there have been no layoffs. Instead, the company spent $5 million to retrain its Kentucky workers.

Yet automation alone isn't sufficient to compete effectively. "More and more of the manufacturing content has to be upstream—in packaging, invention, and design," says Davis. IBM has implemented "early manufacturing involvement groups" that place designers next to manufacturing engineers when a new computer or other high-volume product is planned. If all these factors are supporting a constant push to develop new technology, Davis adds, "we'll stay ahead. We've got to combine technical enterprise, attention to detail, and consistency of purpose and action—that's what the Japanese did to the U.S. in steel." IBM is determined to turn the tables in high tech.

By Marilyn Harris in Lexington, Ky.

Logic Corp., a leader in semicustom chips. "It doesn't favor their disciplined, high-volume approach," he explains.

Similarly, in communications and computers, the accelerating importance of software may give U.S. companies a continuing edge. "The real cost issue is the cost of developing and maintaining software—and of installing and supporting the equipment," says M. Kenneth Oshman, president of Rolm Corp., the communications company acquired last year by IBM. "And nobody has jumped ahead of us there."

Whether the U.S. can arrest the shrinkage of its manufacturing base in time to curb high-tech imports and boost exports is unknown. "National dialogue is so focused on military vs. social expenditures," says Ray Stata, chairman of Analog Devices Inc., that the country is "overlooking what we have to do to ensure long-term economic development." In any case, meeting this clear and present danger will require a combination of political fortitude and management discipline that neither Washington nor Silicon Valley is well known for.

By John W. Wilson in San Francisco, with bureau reports

PHONE MARKET: JAPAN KEEPS HANGING UP ON THE U.S.

Frustrated by months of fruitless talks aimed at opening Japan's communications market to foreign-made telephone equipment, a U.S. trade negotiator laid it on the line recently to his Japanese counterparts: "We're making no progress. Moreover, what little information we're getting from you is confirming our worst fears." He referred to growing U.S. suspicions that the Japanese have no intention of making it possible for U.S. equipment makers to win a significant share of their market. "It's particularly regrettable," the American added, "in view of the promises made by Prime Minister Nakasone to President Reagan about solving these issues."

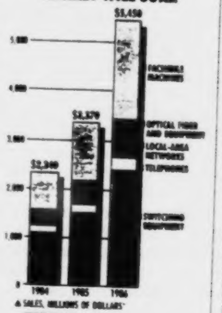
The reply from across the table provides a vivid insight into perhaps the deepest trade barrier of all. "I don't know what the Prime Minister promised," the Japanese trade representative said. "But prime ministers come and go. Whatever his desires, he must work through the appropriate ministries. This is our history of more than 100 years." This bureaucratic mentality goes beyond simple xenophobia.

THE DOGS BARK. "The real battle isn't between the Americans and the Japanese. This is a gigantic bureaucratic turf fight," explains one U.S. official in Tokyo, "between the Ministry of Posts & Telecommunications and the Ministry of International Trade & Industry." To exploit its new high-capacity, fiber-optics link and add such new applications as banking and shopping at home, Japan in April will terminate the monopoly vested in Nippon Telegraph & Telephone Public Corp. And MITI hopes to extend its influence into areas now assigned to the communications ministry. "We Americans are like a little terrier, yipping at the heels of two giants," says the U.S. official. "Every once in a while, we get their attention, and they toss us a bone."

The ultimate prize would be a major piece of the fast-growing communications equipment business, projected to hit $8 billion by 1987. But most Americans realistically expect that U.S. communications equipment makers won't make major inroads, despite recent signs that the Japanese are bending.

After months of U.S. protests, the Japanese proposed in late February to throw out their original scheme for certifying imported equipment. Those decisions were to have been made by a supposedly impartial group of Japanese equipment makers. Says Mark Foster, a Tokyo-based attorney serving as a consultant to the U.S. Embassy: "Imagine AT&T, IBM, Burroughs, and Apple getting FCC approval to be the only group that could approve foreign products" for sale in the U.S. Japan now proposes to forget about using the local industry group to certify imported equipment. Instead, all equipment, imported and domestic, would be tested under the same standards.

HOW JAPAN'S TELECOMMUNICATIONS MARKET WILL SOAR



▲ SALES, MILLIONS OF DOLLARS*

*CONVERSION RATE: $1 = 260 YEN

DATA: JARDINE FLEMING SECURITIES LTD.

"Another major problem is reducing regulation of the value-added network systems" that U.S. producers would like to sell in Japan, says Clyde V. Prestowitz, the Commerce Dept.'s chief negotiator. But he isn't confident of success. "It's sort of catch-22," Prestowitz explains. The decisions are being made in secret, and once the regulations are made public—around Mar. 7—"it will be hard for the Japanese to back off without losing face."

COUNTERATTACK. If the results are as onerous as the American negotiators fear, part of the fault must be laid at the feet of U.S. industry, which has displayed a remarkable lack of interest in the world's second-largest communications market. "If there were as many lobbyists for U.S. interests in Tokyo as there are for Japanese interests in Washington, we'd have had a telecommunications law we could have dealt with right from the beginning," says Donald S. Abelson, director for technical trade barriers at the Office of the U.S. Trade Representative.

The outlook isn't totally bleak, however. As Prestowitz proved last year, it is possible to take on Japan's powerful bureaucracy. During talks over the degree of foreign ownership that would be allowed in value-added networks, the Japanese planted a story in the local press, claiming—erroneously—that the U.S. had agreed to limit its participation to one-third.

Prestowitz, the first high-level U.S. negotiator to speak and read Japanese, saw the story in a Saturday paper and counterattacked. He called a press conference and flatly denied the communication ministry's claim. After his remarks were printed, Prestowitz was invited to a special caucus of the ruling Liberal-Democratic Party—and the law was rewritten to allow 100% foreign ownership in value-added networks.

By Michael Berger in Tokyo

[Attachment]

TESTIMONY OF NATIONAL BEDDING AND FURNITURE INDUSTRIES

National Bedding and Furniture Industries of Memphis Tennessee is the parent company of the Davis Company, manufacturers of early American wood dinettes. Davis is a small business with limited resources which has to compete with powerful state-owned conglomerates based in Yugoslavia.

These foreign companies enjoy favored nations treatment, take advantage of the overvalued dollar, and dump products into this country to get dollars into their own economy. They compete with Davis on early American chairs. They don't really import a whole chair. Instead, they import the legs, backs, seats, and spindles in container loads for Yugoslavia. The chair parts are finished and ready to be assembled in U.S. locations, including a facility in Memphis. In these manufacturing (or assembly) operations, domestic as well as foreign labor is utilized in the assembly process.

The foreign companies now have about two-thirds of the domestic wood dinette business. In Davis' price range, imports actually have a larger market share. The foreign companies are getting stronger every year making it tougher for domestic companies like Davis to compete.

In late 1982, Davis had a dilemma. The company was faced with finding a way to compete with the foreign companies or get out of business. Davis had limited resources to address this situation as well as limited experience in dealing the import threat.

Davis found out about the Trade Adjustment Assistance Program in early 1983 and applied for assistance. The Southeastern TAAC helped develop a plan of action and investigation, helped select and monitor consultants and provided a portion of the necessary financial investment. An indepth strategic planning study was undertaken to determine Davis' ability to compete successfully in the wood dinette furniture market. The marketplace as well as Davis' internal capabilities were evaluated in detail. As a result of the findings of the study, new markets for new products were identified and an aggressive marketing program was implemented. In the last two years, Davis has also spent over $1 million of its own money in new plant and equipment.

Davis believes it is now in a position to compete successfully. Reaction to the new products has been encouraging. For the first time in a long while, Davis believes it has a bright future. The company feels that the assistance provide by the TAA Program has been very helpful in achieving this competitive position. Over 200 jobs have been saved, and import competition is being met head on.

Based on the results at Davis, the TAA program has proved to be very cost effective and worthwhile. It is a program that can pay big dividends to companies like Davis and can provide a significant return on investment for the federal government. It is strongly recommended that the TAA Program be considered for refunding.

[Attachment]

STATEMENT ON THE BENEFITS OF TRADE ADJUSTMENT ASSISTANCE FOR OUTDOOR VENTURE CORP., STEARNS, KY

I. BACKGROUND

My name is J.C. Egnew. I am president of Outdoor Venture Corporation, located in Stearns, Kentucky. Outdoor Venture, founded in 1972, began and maintained all of its operations in Curry County, Kentucky, which has the third lowest per capita income in Kentucky according to a 1980 census. Since its beginning OVC's prime business has been the manufacture and sale of recreational camping tents to mass merchandisers throughout the U.S. By 1979 OVC had become the second largest producer of camping tentage in the U.S. and manufacturing employment had grown to 175 people (in the tent division) primarily in the low job skill area. Our recreational tent sales at the time were 12.5 million dollars. Beginning in 1980 two factors began having a negative impact on OVC recreational tent business. The first factor was the fact that market growth of recreational tentage began slowing. The second and major factor was that importers of recreational tentage from the Orient began to exploit tariff loopholes. This, combined with a declining tariff rate, resulted in a rapid penetration of imported tents into the U.S. market. These two factors resulted in a decline in sales, profits and employment beginning in 1980, which has continued through 1985.

II. ASSISTANCE

OVC management bagan working on recovery from import impaction and readjustment in three areas. First, we sought relief from the special trade representative office in Washington. However, the results were that the trade activities increased rather than decreased. Secondly, we began to look for new market opportunities that were not import sensitive and that utilized the capabilities of our manufacturing. We were succsssful in identifying a new emerging area of military tentage in the Department of Defense. In the third area, we petitioned for, and were certified by the U.S. Department of Commerce as eligible to receive trade adjustment assistance. This occurred in April 1983 when our production employment was 170, sales were about 12 million, and the market share of imported tentage was still growing.

The assistance received from the Trade Adjustment Assistance Program enabled OVC to re-engineer its production operation and retrain its employees in more efficient production methods and procedures to make the new military tentage.

I estimate OVC's cost to implement this third area includes approximately $30,000 in new product development; $175,000 for new production equipment; $70,000 for consulting services to install new production methods; and $110,000 for the retraining of production workers, totaling $385,000 dollars.

III. RESULTS

As a result of OVC's entry into the Trade Adjustment Assistance Program and the subsequent re-engineering project a cost reduction of about $320,000 has been projected to date in materials and labor. Overall, a 25% cost reduction is expected by the completion of plant re-engineering, estimated in August this year. The re-engineering project has enabled OVC to reposition itself as a competitive producer of large military tentage for the future. DOD now estimates that procurement for this type of tentage will be increasing for at least the next two or three years. OVC also plans to identify other products that require similar manufacturing capabilities.

As a result of the rapid growth of imports OVC has been forced to discontinue the manufacturing of all recreational tentage and import them from the Orient to protect its market share. Sales of recreational tentage has declined from 12.5 million dollars in 1980 to 10½ million dollars estimated for fiscal 1985. Military tent sales account for $4½ of the $10½ million. Many of our customers have now decided to import their tents directly. For example, J.C. Penney, K Mart, Montgomery Ward, our largest customers who used to buy many of their tents from us now import virtually all their tents directly from manufacturers in the Orient. We now employ about 80 production workers on sales of about 6 million. Net pofits have declined from about 4 percent of sales to 1 percent.

The preliminary results of a current industry survey in the camping tentage now being conducted estimates that 85% of all U.S. recreational tent sales are now imported from the Orient. OVC projects a continued decline in its recreational tent sales as foreign manufacturers are now selling direct to our retail customers. OVC is hopeful of finding growth opportunities to replace lost tent sales in new markets as well as government tentage.

The Trade Adjustment Assistance Program has been a major factor in enabling OVC to survive and reposition itself as a new manufacturer in the government tentage area. This was accomplished through the program's use of private consultants and cost participation feature.

Textile imports into our country grew at the rate of 25% in 1983 and 32% in 1984 and as of the end of 1984 account for 50% of the total U.S. market. This unmanaged growth has cost hundreds of thousands of jobs from people who have been in the textile industry for twenty or more years. People who cannot easily find relacement jobs. Given the hourly rates of $1.18 U.S. dollars per hour in Hong Kong, $.57 an hour in Taiwan, $.63 in Korea, and $.16 an hour in China, it is reasonable to conclude that this process will continue. The Trade Adjustment Assistance Program for firms is a cost effective means to deal with the threat of displaced workers and this program should be increased rather than decreased if our government plans to continue its free trade policies.

[Attachment]

TESTIMONY OF DAWSON INDUSTRIES, INC.

Dawson Industries, Inc. is located in Dawson, Georgia with sales and administrative offices located in New York City. The firm currently manufactures, sells, and distributes men's, ladies', and children's athletic/active sportswear. Its product line in the past included sleepwear and panties. Today Dawson's products are sold through specialty stores, department stores, and discount chains.

After enjoying success in the early seventies, the firm began to experience serious competition from imported ladies' and childrens' apparel products, especially sleepwear and panties, from the Far East. Between 1974 and 1976, Dawson suffered a 34 percent decline in employment, a 20 percent decline in sales, and a 15 percent decline in production.

Dawson developed a new business strategy to combat the effects of imports and to regain its competitive position. Basically the new strategy involved expanding the product line to include higher price point and more fashion oriented sportswear for men and women. Less emphasis was placed on women's and children's apparel products, especially sleepwear and panties. The new strategy also included providing the necessary merchandising and sales support programs needed to compete in the new markets. After being certified as eligible to receive Trade Adjustment Assistance in 1977, Dawson worked with the New York TAAC to secure a $1 million Trade Act loan to provide working capital for repositioning the sportswear line. Dawson was able to increase sales from $4.6 million in 1976 to approximately $11.7 million in 1979 based on the new strategy.

Despite this significant increase in sales, Dawson was unable to achieve adequate profit performance. Because of continued import competition, the firm could not raise its prices and had to focus on manufacturing cost reductions as a means of restoring acceptable profit levels.

The Southeastern TAAC, assisted Dawson in formulating a strategy for improving profits, with particular regard to reducing manufacturing costs and increasing managerial efficiency. Based on an operational audit performed by the Southeastern TAAC, several opportunities were identified. The Southeastern TAAC recommended the installation of a fully integrated production system; the re-engineering of the sewing room to include the development of new piece rates and cost reporting; supervisory training and new line balancing methods; modification of the product costing procedures; a review and improvement of plant layout; and the establishment of operating budgets.

The Southeastern TAAC contracted with apparel consultants to provide the technical assistance in addressing the areas of production control, product costing, and sewing room engineering. Dawson used its own resources to effect the other recommended changes. The implementation projects funded by the TAAC proved successful in helping Dawson achieve its profit objectives.

Dawson has been successful in achieving most of its goals. Sales in 1983 reached $30 million and profits were at an acceptable level. The cost reduction program in manufacturing resulted in savings in excess of $100,000 annually. Employment in the Dawson plant is currently about 400 people with plans to increase employment. Many more jobs have also been created in other apparel manufacturing firms which act as a subcontractor to Dawson in producing garments to meet sales demands.

As imports continue to be a factor, Dawson has been pursuing a program to modernize its facility through the addition of automated machinery and an automated distribution center. Dawson is currently working with the Southeastern TAAC on ways to continue this modernization program.

In summary, the Trade Adjustment Assistance Program has provided valuable resources to assist Dawson Industries successfully compete against imports. Dawson fully supports the program and asks that serious consideration be given to its refunding over.

The assistance provided to Dawson has been repaid many times over. During the low point prior to being certified in 1977, Dawson's sales were declining and profitability was virtually non-existent. Over 350 jobs were in jeopardy. From this situation, Dawson has turned itself around and currently contributes over $1.5 million annually in corporate and private income taxes. Thus Dawson has made a significant contribution in paying for the TAA Program. Results like those achieved at Dawson combined with successes in other firms provide a tremendous return on investment for the Federal government.

NJ TAAC TECHNICAL ASSISTANCE STAFF AND EXTERNAL CONSULTANTS, FISCAL YEAR 1983, FISCAL YEAR 1984, AND FISCAL YEAR 1985 TO DATE

[In thousands of dollars]

SIC and Category	Oct. 1, 1982 to Sept. 30, 1983 total	Oct. 1, 1983 to Sept. 30, 1984 total	Oct. 1, 1984 to Sept. 30, 1985 total
01 Agriculture	7		
20 Food and kindred products		4	134
22 Textile	92	39	
23 Apparel	13	48	7
24 Lumber	23		
25 Furniture	5	68	4
26 Paper	2		
27 Printing			
28 Chemicals	20	95	25
29 Petroleum			
30 Rubber	44	89	34
31 Leather		4	21
32 Stone, clay, glass	28	88	159
33 Primary metal	16	91	31
34 Fabricated metal	104	149	68
35 Machinery	37	188	70
36 Electric and electronic machines	89	36	
37 Trans. equipment		15	
38 Measuring, etc. instrument	85	6	
39 Misc. mfg. ind	20	36	18
Total	585	956	571

NEW JERSEY TRADE ADJUSTMENT ASSISTANCE CENTER, INTERNATIONAL TRADE ADMINISTRATION [ITA] LOANS

Company	Loan	Amount disbursed	Closed
Royal Art Mfg. Co	Direct	[1] $290,000	12/82
Basco, Inc	do	300,000	08/83
Car-Flite Mfg. Co	do	514,000	11/83
Voltronics	do	500,000	12/83
Hartford Corp	Guaranteed	1,700,000	06/84
PA Wilton Carpet	do	1,500,000	07/84
Federal Casters	Direct	800,000	10/84
Fabrite Laminating	do	1,000,000	04/85
Total		[2] 6,604,000	

[1] In default/liquidated.

[2] Default Percentage = 04 percent.

SUMMARY OF RESULTS: NEW JERSEY TAAC

[Dollar amounts in thousands]

Clients	Initial conditions		Consulting assistance	Financial assistance	Results		Percent change	
	Employees	Sales			Employees	Sales	Employees	Sales
16 firms	3,617	$218,800	$1,048	$23,337	4,318	$281,700	+19.4	+28.8

NEW JERSEY TAAC

Clients	Initial conditions		Consulting assistance		Financial assistance		Results		Percent change	
	Employees	Sales	Amount	Type	Amount	Source	Employees	Sales	Employees	Sales
Kem Manufacturing Co., Inc., River Road, Fairlawn, NJ 07410 (automotive parts); Dennis Brown: (212) 564-0328.	225	$10,200,000 (1980)	$5,114 46,200 5,000 9,500	Planning Marketing Research Systems Analysis Graphics Design	0		225	[1] $11,000,000 (1985)	13.3	7.8
Jerome Industries, 730 Division Street, Elizabeth, NJ 07201 (battery chargers; transformers); John DiGirolomo: (201) 353-5700.	100	1,800,000 (1978)	12,840 15,428 35,425	Planning Marketing Engineering	$550,000	USEDA	190	4,500,000 (1985)	90.0	150.0
Lambertville Ceramic & Mfg. Co., P.O. Box 128, 245 N. Main Street, Lambertville, NJ 08530 (ceramic parts); Richard Cass: (609) 397-2900.	38	1,032,674 (March 1981)	7,445 49,906	Planning Engineering	0		42	1,200,000 (June 1984)	10.5	16.2
Wenzcel Tile, 200 Enterprise Avenue, Trenton, NJ 08638 (ceramic tile); Robert Corless: (609) 599-4503.	312	17,793,263 (June 1982)	4,666 184,678	Planning Engineering	2,700,000	NJEDA	500	28,000,000 (Dec. 1984)	60.3	57.4
Peerles Tube, 58 Locust Avenue, Bloomfield, NJ 07003 (cans/tubes); William Remmington: (201) 743-5100.	760	38,778,867 (May 1983)	6,537 33,932	Planning Engineering	2,000,000	NJEDA	800	[1] 42,940,000 (1985)	5.3	10.7
Belleville Wire, 135 Little Street, Belleville, NJ 07109 (wire cloth); Jack Crowley: (201).	11	870,734 (Oct. 1982)	5,300 24,780	Planning Marketing	0		12	1,110,000 (Dec. 1984	9.1	26.3
E.C.D., Inc., 171 Central Avenue, Hillside, NJ 07205 (steel wire); Anthony Russo: (201) 926-4242.	64	12,177,034 (Dec. 1982)	8,630 22,275	Planning Marketing	0		78	19,044,000 (Jan. 1985)	21.9	56.4
Volco Brass & Copper Co., 801 Boulevard, Kenilworth, NJ 07033 (wire/strip metal); Paul Coates: (201) 245-7200.	231	29,930,000 (Dec. 1982)	7,591 79,000	Planning Production Stds	0		238	32,969,000 (Dec. 1984)	3.0	10.2
Chronar Corp., P.O. Box 177, Princeton, NJ 08540 (electronic components; solar power); Dr. Zoltan Kiss: (609) 587-8000.	17	900,000 (1979)	4,000 35,856	Planning Marketing	1,600,000	USEDA	130	1,400,000 (9 mo./1984)	664.7	55.6
Basco, 441 High Street, Perth Amboy, NJ 08861 (wood frames); David Glaser: (201) 826-1653.	27	664,130 (July 1983)	4,889 10,456 10,000	Planning Financial Engineering	300,000	USITA	40	715,500 (Jan. 1985)	48.1	7.7
The Bates Manufacturing Co., Newburgh Road, Hackettstown, NJ 07840 (office supplies); Thomas Williams: (201) 852-9300.	307	17,563,000 (July 1982)	8,018 44,500 23,126	Planning Product Design Shipping/Rcv'g	1,187,000	§ 503-SBA	330	23,000,000 (Dec. 1984)	7.5	31.0
Lambert Furniture Co., 1301 New York Avenue, Trenton, NJ 08638 (furniture); Martin Hirschman: (609) 394-7000.	84	4,152,720 (Aug. 1982)	4,238 63,750	Planning Engineering	0		130	6,000,000 (Mar. 1985)	54.8	44.5

PA Wilton, 30 Galesi Drive, Wayne, NJ 07470 (woven carpets); Michael Galesi: (201) 256-8885.	66	3,075,710 (Mar. 1980)	5,383 8,677 33,360 40,213	Planning Financial Production Control Marketing	1,500,000	USITA	70	[1] 5,000,000 (Dec. 1985)	6.1	62.6
Sobel Bros., 400 Barclay Street, Perth Amboy, NJ 08862 (costume jewelry); Stanley Sobel: (201) 442-5470.	[2] 113	1,824,478 (June 1981)	6,200 42,780	Planning Engineering	0		166	[1] 5,000,000 (1985)	46.9	174.1
Voltronics Corp., West Street, East Hanover, NJ 07936 (pistons, capacitors); Richard Newman: (201) 887-1517.	45	1,140,910 (Mar. 1981)	6,494 26,990	Planning Engineering	500,000	USITA	62	2,311,000 (Dec. 1984)	37.8	102.6
Hyatt Clark Industries, 1300 Raritan Road, Clark, NJ 07066 (bearings); Howard Kurt: (201) 499-6503.	1,217	76,889,468 (Dec. 1982)	8,913 95,585	Planning Engineering	4,000,000 9,000,000	NJEDA UDAG	1,275	97,554,323 (Oct. 1984)	4.8	26.9

[1] Estimate

[2] Average.

Basco, Inc., Perth Amboy, NJ

COMPANY BACKGROUND

Basco, Inc. is a manufacturer of wood picture frames for the mid-price range customer market including the "do-it-yourself" market. This industry was impacted by imports which contributed to the erosion of Basco's market share, employment and sales levels.

TECHNICAL ASSISTANCE PROVIDED

TAAC cost shared over $20,000 for production scheduling, cost control and financial consulting. These consulting services provided to Basco reduced production costs and resulted in increased sales. Basco also received a $300,000 federal direct loan for working capital and fixed assets.

COMMENTS BY COMPANY OFFICIALS

According to David L. Glaser, President of Basco: "NJ TAAC has been the main reason that Basco was able to change from a company with severe problems to a much improved position. We had been hurt by imports and NJ TAAC's production and marketing expertise helped us survive. We are now positioned to move forward aggressively in today's competitive marketplace."

For information about NJ TAAC call or write:

(609) 292-0360
New Jersey Economic Development Authority
Trade Adjustment Assistance Center
CN-990, 200 South Warren Street
Trenton, NJ 08625

The Bates Manufacturing Co., Hackettstown, NJ

COMPANY BACKGROUND

The Bates Manufacturing Company was established in 1889 by Thomas A. Edison to produce a mechanical numbering machine. Bates' product line has grown over the years and now includes a full line of office supplies such as staplers, list finders, card files, rulers and computer accessory supplies. The company occupies 125,000 square feet and has 322 employees, up from 300 a year ago. Distribution is international utilizing a full time sales force domestically and a network of agencies and representatives throughout the world. Bates has experienced severe competition from low cost foreign producers. The company became interested in the Trade Act program as a vehicle to provide a means to lower its manufacturing costs through new product development which would enable it to compete more effectively with imports.

TECHNICAL ASSISTANCE PROVIDED

The NJ TAAC assisted the company management in the preparation of a recovery program which concentrated on improvement of the warehousing and product design and development areas. The consulting assistance secured by TAAC for these projects cost approximately $68,000.

The warehouse project produced increased efficiency, improved space utilization, establishment of improved work standards and an overall cost reduction. Additionally, four new products were developed with the assistance of an outside design firm. Modernization of the company's products and development of new items will enable the Bates company to penetrate new markets and regain sales.

The company is currently experiencing a 10% growth in its sales volume over the previous period.

Lambert Furniture Corp., Trenton, NJ

COMPANY BACKGROUND

Lambert Furniture Corporation is a manufacturer of quality upholstered furniture, tables and chairs, supplying a number of chain and department stores including Macy's, Bamberger's and Bloomingdale's. Lambert's product line consists of more than 70 styles and hundreds of fabric combinations.

The company employs over 90 people and occupies 100,000 square feet in Trenton, New Jersey.

TECHNICAL ASSISTANCE PROVIDED

Subsequent to the approval of the firm's Adjustment Proposal, the New Jersey Trade Adjustment Assistance Center arranged for consulting assistance in the areas of:

Productivity and Work Methods Improvement
Materials Requirements Planning
Production Control Systems

As a result of work methods improvements and more comprehensive control of production, manufacturing output was increased 30-35% within a three month period permitting the company to virtually eliminate backlog and thereby improve customer service.

COMMENTS BY COMPANY OFFICIALS

According to Martin Hirschman, President of Lambert Furniture: "We are an established furniture manufacturer that came under pricing pressures from imports. Through the New Jersey TAAC consulting program we have been able to reduce our manufacturing costs and increase unit productivity by 35%. This assistance has been key to the revitalization of our company."

LAMBERTVILLE CERAMIC & MANUFACTURING CO., LAMBERTVILLE, NJ

COMPANY BACKGROUND

Lambertville Ceramic is a manufacturer of high grade industrial ceramics for the textile, nuclear and electronic industries. Ceramic thread guides used by the textile industry have been imported by distributors over the last few years because of low cost foreign labor. Additionally, as textile machinery is built aboard, foreign manufacturers locally source thread guides causing an additional decline in domestic thread guide sales.

TECHNICAL ASSISTANCE PROVIDED

A marketing and engineering analysis conducted at Lambertville Ceramic identifed new product opportunities in growth industries, in which they could effectively compete. Consulting assistance for marketing and product development projects was provided to Lambertville Ceramic. This assistance at $58,000 was cost shared by TAAC and the client. Lambertville management spent $600,000 for investment in machinery to reduce its manufacturing costs and expand plant facilities, most of which was obtained through local bank financing based upon the strategy proposal of the TAAC program.

COMMENTS BY COMPANY OFFICIAL

Mr. Richard "Bud" Cass, President of Lambertville Ceramic, has stated that the marketing and engineering analysis and the adjustment plan was instrumental in convincing his bank to lend the necessary funds, thus enabling the Company to improve its manufacturing capability.

PENNSYLVANIA WILTON CARPETS, INC., WAYNE, NJ

COMPANY BACKGROUND

Pennsylvania Wilton Carpets, Inc., is one of the few manufacturers of high quality custom Wilton carpeting remaining in the United States. The term "Wilton" designates a specific weaving process which is used mainly in commercial carpeting for hotels, office buildings, banks, airports, casinos, aircraft and other heavy traffic areas and which is usually custom manufactured for a particular installation.

The decline in the domestic Wilton carpet industry is the result of competition from foreign manufacturers, particularly from the United Kingdom. Although the quality of domestic Wilton carpeting is highly competitive, foreign manufactured carpets have a price advantage in the marketplace because of lower labor costs.

TECHNICAL ASSISTANCE PROVIDED

To overcome the effects of imported products, a recovery plan was jointly developed by the firm and the NJ TAAC. The plan requested consulting assistance and a federal loan guarantee. The $1.5 million approved loan is being used to purchase new manufacturing equipment and inventory to support new sales resulting from the expansion of the company's contract weaving capabilities.

The company also received consulting assistance for the development of a comprehensive marketing plan and improved information systems through the NJ TAAC.

COMMENTS BY COMPANY OFFICIALS

According to Michael Galesi, Chairman of the Board: "The NJ TAAC has been a constructive element in our overall improvement. We are now experiencing significant gains in sales".

SOBEL BROS., PERTH AMBOY, NJ

COMPANY BACKGROUND

Sobel Brothers is a manufacturer of high-fashion costume jewelry. The company has consistently been a fashion trend leader and, because of this innovative ability, Sobel Brothers Jewelry is often copied by Asian manufacturers.

The company employs over 150 people and occupies 30,000 square feet in Perth Amboy, New Jersey.

TECHNICAL ASSISTANCE PROVIDED

As part of its approved Adjustment Proposal, this company was approved consulting assistance for manufacturing layout, standards and methods, and to upgrade management information systems. The first phase of this work has been completed and savings of up to 15 percent have already been achieved in several operations.

COMMENTS BY COMPANY OFFICIALS

According to Stanley Sobel, President: "Not only is our costume jewelry affected by rapid fashion changes, it is also highly susceptible to imitation by offshore manufacturers in low labor cost countries. With the help of the New Jersey TAAC, we have been able to improve our operations through better work methods and control systems to cope with this competition. Our future is bright."

VOLTRONICS CORP., EAST HANOVER, NJ

COMPANY BACKGROUND

Voltronics Corporation is a manufacturer of precision products for the high tech electronics industry. Typical product applications include radios, radar, missile guidance systems, mobiles phones and medical scanning equipment. Voltronics requested Trade Act assistance when sales in several product lines were negatively affected by imports from the Far East and Europe.

TECHNICAL ASSISTANCE PROVIDED

Voltronics and the NJ TAAC prepared a recovery proposal which reflected a need for consulting and financial assistance. The NJ TAAC secured consulting for the development of equipment to produce a newly designed capacitor. The product has received positive industry acceptance with potential annual sales expected to be $1 million. Additionally, TAAC provided assistance in the preparation of an application for a direct loan of $500,000 from the federal government. The loan was approved and the funds are being used for working capital to support sales growth and the acquisition of fixed assets. Since the loan closing, sales have increased at an annualized rate of 30% and employment has grown from 60 to 71.

COMMENTS BY COMPANY OFFICIALS

According to Scott Newman, Vice President of Voltronics: The financing and consulting assistance have "provided Voltronics with the long term financial strength to expand its product line and its marketing expenditures so as to ensure the company's continued viability in an ever-increasing competitive environment."

WENCZEL TILE CO., TRENTON, NJ

COMPANY BACKGROUND

Wenczel Tile manufactures and distributes white body glazed ceramic wall and floor tile and trim for use in the construction industry. The domestic tile industry has experienced strong import competition from Europe, Japan, Mexico and Brazil with almost 50% of the market share held by foreign manufacturers.

The company has plants in Trenton, New Jersey and Tampa, Florida and employs approximately 450 in total at these locations.

TECHNICAL ASSISTANCE PROVIDED

Based upon the assistance requested in Wenczel's Adjustment Proposal, the New Jersey TAAC has cost-shared over $184,000 in consulting expenses. These projects included the design of a new production line at the Trenton plant and engineering services to modernize and upgrade the Tampa plant. As a result of these projects the company has been able to reduce production costs and increase capacity to meet market demands.

COMMENTS BY COMPANY OFFICIALS

According to Robert Corless, President of Wenczel Tile: "The New Jersey TAAC has provided Wenczel Tile with the ability to accomplish more than $7 million in capital improvements over the next 3-4 years. Without TAAC's help we would have lacked the essential planning necessary to compete with the foreign competitors and would have probably reduced production and employment.

There is no question that the engineering assistance provided through the New Jersey TAAC has made it possible for Wenczel to move ahead with a capital growth plan. As a result, we will be able to more effectively compete with imports and provide a 30% growth in our work force."

Chairman GIBBONS. Thank you, sir.

Mr. Lindsey.

STATEMENT OF EDGAR T. LINDSEY, OUTREACH SPECIALIST, SOUTHEASTERN TRADE ADJUSTMENT ASSISTANCE CENTER

Mr. LINDSEY. Mr. Chairman, members of the subcommittee, Bob has talked with you briefly about an overall macroview of the program. I want to talk to you a little bit on a little more of a microbasis.

The Southeastern TAAC is charged with three functions in its contract with the Department of Commerce: first, to provide outreach to firms to make them aware of the programs; second, to assist them in applying for assistance under the program; and, last, actually delivering consulting assistance, while in the past 3 years the U.S. Department of Commerce has curtailed our outreach efforts and has limited that to general outreach and outreach to referral sources rather than directly to firms.

What we have here this morning is a slide presentation that we use in talking with referral sources, State governments, trade associations, aides to Congressmen, to make them aware of how the program operates, et cetera, and what we would like to do is run you through this. It may be repetitive to some extent, but I think it will help you see some of the functions that we provide for our firms.

Of course, our territory is eight Southeastern States that make up the old fifth district of the Department of Commerce. Definitely, our purpose is to provide consulting and financial assistance to southeastern companies who are hurt by imports. It is an unusual program in that it is a three-part program involving, of course, the funding provided by the U.S. Department of Commerce.

It also involves Georgia Tech Research Institute and the Southeastern TAAC as a provider or the conduit of the services; and, of course, the impacted companies that we work with as the recipients and participants in the development of recovery plans that we have or establish for these companies.

Just to give you a little background—I am not going to go into the detail that Dr. Grace did—this gives you a little bit of an idea of that middle part of the conduit source and its background. It is a nonacademic arm of Georgia Tech. We have 1,300 employees at GTRI. We have about $60 million a year in grants and contract work, primarily in the private industry and also government, Federal Government, State level, and local government, as the recipients of that work.

We have an experienced consulting staff, many of which are very experienced in the strategies for import-impacted companies. They have private sector background in consulting or manufacturing. Educationally, they have engineering degrees, and the majority of our staff also has a master's level degree, or an MBA, and 12 years of experience, and we do have the ability to subsidize the capable staff that we have by hiring outside private-sector consultants in cases where we may not have the expertise that a company may need.

This gives you an idea of the background of the people that are working on our staff now. As you can see, they are all with business backgrounds, many of them actual manufacturing employees or management members in the past. Others come from consulting firms and from financial firms, as well. This gives you an idea of the educational background. The bullet points on the side have to do with the majors, and 82 percent do have master's degrees.

These are some of the previous employers of our staff members. As you can see, some of them are fairly recognizable names. The industry experience of these members represents areas that they have worked in in the past and continue to work in today.

The functional experience demonstrated by our staff, as you can see, crosses the gamut of the functional needs of our clients in the areas of marketing, finance, accounting, production, research, et cetera.

For the rest of the slide program, we are going to be talking about the type of assistance, how a company gets qualified, and how we get started.

There are basically two forms of assistance available to a company under this program: consulting assistance that we deliver, and financial assistance, which is provided by the Department of Commerce. But we do assist the companies in applying for that financial assistance.

The consulting side of it is practical business experience, consulting experience, and the Federal Government, of course, pays up to 75 percent of the cost of those services for the company.

Consulting services are in all the functional areas of the business. There are no exceptions of areas where we can work. So it gives us the ability to address the specific needs of each client that we have.

This gives you an idea, a brief diagram of how the process actually works starting with the initial visit where the company expresses an interest in the program. During this time, we discuss what the program is and how it operates, what they can expect in the future, and, if they appear to be eligible and have an interest in following through with the program, an application for assistance or for eligibility is made.

After that application is submitted to Washington, Department of Commerce approved, then the initial consultants' visit is made where a team of our consultants goes in and meets with management personnel, finds out about where they think their problems are, gather some information, and do some minimal research at that point in time, and decide how the program should flow from here on out with the company.

After that visit, a proposal is generated which is then resubmitted to the management of the company for their review, for their concurrence, and in some cases modification and then concurrence, and then a plan of action from this point forward in the project; and after that has been reviewed and accepted, we begin the strategic planning stage, the very first stage of uncovering the problems, and also in some cases opportunities the companies have, and doing that through a diagnostic process of actually heavily researching each of the functional areas of the business. And, as a result of that diagnostic, a plan of action or business plan is developed along with the management of the company.

It is a two-party-developed plan, the management of the company as well as our consultants working with them. The business plan is then submitted back to Washington for concurrence and review. And, if that concurrence does take place, then we actually start some very specific implementation-type projects, generally the higher priority areas that were found in the business plan.

Chairman **Gibbons**. How long does the Washington phase of it last?

Mr. **Lindsey**. This next slide I think will answer that.

This is the consulting process broken down into three major phases and the approximate time that it requires to go through that.

Once the application is submitted to Washington, by law the Department of Commerce has up to 60 days to review that application and rule on that application, and so you see a 2-month period there.

The business plan is generally developed within a 4-month period of time. The diagnostic, it takes time to do it accurately; and, of course, our view at this point is that it takes a long time to get into these problems and we need to take the appropriate amount of time to help them get out of them and to do a really professional job, and some real in-depth diagnostic work, and then work with them to determine what the plan—what the appropriate plan and reasonable plan is for the company. That is why we have the 4-month period of time there.

The implementation time, that average is probably a little looser than the business plan; 6 months, we can say. It depends on the nature of the project that we go into as to really how long that period of time takes. I think you will see some examples in later testimony this morning as to why that varies, the length of time.

Chairman **Gibbons**. The time you develop a business plan and the time you send it to Washington for approval, I am wondering how long it takes for Washington to approve it.

Mr. **Lindsey**. It takes—they have—between the business plan and the implementation, they have a 2-week turnaround.

Chairman **Gibbons**. A 2-week turn. Amazing.

Mr. **Springfield**. It has been 4. It used to be 2.

Chairman **Gibbons**. It is still amazing.

Mr. **Lindsey**. The eligibility, certification eligibility, is 2 years for a company. It gives them time to really thoroughly research and work with the consulting staff researching ways in which they can overcome the problems that they have.

Of course, the other side, the other form of assistance of the program is financial assistance in two forms—direct loans to the company and up to 80 percent guaranteed loans similar to the Farmers Home Administration, et cetera.

These amounts are, the guaranteed is up to $3 million and the direct is up to $1 million, and they can be used for fixed assets and/or working capital for the company.

OK, how does the company qualify? Given first the company within an impacted industry and that that industry is experiencing either an absolute increase in imports or market-share increase in imports of a particular industry is declining at the moment, then the company has to meet these other two qualifications.

First, it must have a decline in sales or production. There are several options under this category. They can have an absolute decline in sales from year to year; they can have a decline in production or a situation they have built up or geared up expecting higher sales; and then because of import impaction they have to seriously curtail production to work off heavy inventories. This is the second case.

There is also a decline in sales trend. This gives the company that went through 1984 with a little better year, because the economy was better, the opportunity, because the long-term trend has been down and the pressures of imports are still there—this gives them the opportunity to also be eligible for the program.

The second major factor is employment. There has to be a decline in employment, or, as you see, there are some other options. First, at least a 5-percent decline in head count of employees, or a reduction in work hours of at least 20-percent, or a very heavily documented threat of unemployment, the loss of a major contract or some other instance like that, the company's erosion of financial capability so it cannot sustain the employment levels that it has currently, things of this nature as a threat of unemployment.

OK, how does the company get started working with TAAC? First, after they contact the Southeastern TAAC—hopefully they have heard about the program since we cannot directly contact firms in impacted industries. They have either heard about it through the trade association, or through the Congressman, or through a State Senator, or some other source, and they contacted us. Then, second, we will schedule a field visit to that person's plant or his office and discuss the program in detail; let them know what the program is about, how it will operate.

Rather than trying to accomplish this all over the phone, we like to make a field visit to the company. And then to see if we feel like they are eligible, and, if so, we work with them to submit the application, draw up the documents that are necessary for that application, and submit that to the Department of Commerce in Washington.

This will give you a little bit of a summary of what you will be hearing today. The background of the firms that are going to be here today is, first of all, they have to be an added-value firm; they have to add value to a product to be eligible for the program—a manufacturer, or processor, or whatever. Yet, they have to be in an industry where there are increasing imports; not just the fact that imports are there, but it has to be an increasing factor. And then, third, they have to experience eroding sales and employment or threats of eroding employment.

Then again, in the assistance area, we start with the diagnostic and from that develop a reasonable business plan based upon what their resources are and the resources that they are capable of receiving under this program. And, last, implementing the major factors that are found in the business plan, be it a new marketing program, be it a new cost-control system, be it some modification of product or manufacturing process, whatever that may be.

Last, of course, the results are increasing sales and employment are in some cases at least a level situation where the company's position does not erode any further, and hopefully as well growth in profitability.

That concludes my testimony.

[The prepared statement follows:]

Statement of Edgar T. Lindsey, Outreach Specialist, Southeastern Trade Adjustment Assistance Center

I want to underline at this time that the *TAAC Program is for value added firms*, that is, firms which actually produce, a product or process a product and is not for wholesalers or retailers of any nature. To set the proper stage for the rest of the program, we really need to step back to the early sixties or the late fifties. I want you to think of yourself at that point and try to recall what you thought of when you heard the word "import". It you are like me most of us think of imports at that time as trinket items. Items that we might have gotten as a party favor at a birthday party or you may have thought of the other extreme, fine collectable items such as china or crystal or something that was not in the main stream of our purchasing patterns at that time.

Today we are finding imports as very competitive to all U.S. products in the consumer market and also in the industrial market. One thing that needs to be noted is that these imported products are of high quality. They are found in high technology fields as well as consumer markets. It is obvious that imports create a very real threat to the U.S. industrial base today.

What has occurred from the late fifties to today to cause this change in the connotation of the word "imports"? There are three major reasons for this change.

The first, I would like to refer to as shared technology. This involuntary sharing has taken place as U.S. companies establish factories overseas because of cheap labor markets. These U.S. companies have provided technical training and created skilled labor in these countries. Therefore shared technology provided what was needed for import competition to begin to flourish. Secondly, under shared technology we find that the public sector, the government, has shared with other countries through third world aid programs.

The second major factor is a difference in return on investment (ROI) philosophies. The United States financial community's return on investment philosophy is very short-term, very short-range in nature. We in the U.S. believe in tracking quarterly earnings, publicizing those earnings investing based upon short-term earnings. In other countries, particularly in the far east the ROI concept is based upon much longer terms than it is here. Investors in those countries are looking for paybacks over a period of years and therefore the industry in those countries has the ability to invest very heavily before the expected return.

The third factor is government policy. The federal government administrations that have been in place since the early sixties have chosen to demonstrate the free trade system does work by adopting free trade policies. The trade act of 1962 signaled in this period of administrative thinking and it is best summarized by President Kennedy's quote "We cannot protect our economy by a stagnating behind high tariff walls. The best protection possible is a mutual lowering of tariff barriers among friendly nations so that all may benefit from a free flow of goods." The key is the word mutual. Has that been obtained?

What effect have these factors had on the domestic manufacturing communities? I think that's best illustrated by looking at the balance of trade figures. Through the early sixties we had a very positive balance of trade. In 1971, the U.S. experienced the first negative balance of trade since the early thirties; the U.S. had a 130 billion dollar negative trade balance. That's the macro-economic picture; let's look at the micro side of it. What has happened to specific industries? For instance in sporting goods, 95% of all the baseball gloves utilized in this favorite American past time are produced off shore. In the sixties and seventies there were approximately 21,000 apparel firms. Today, we find less than 15,000 firms. 70% of the shoes that we wear in the U.S. are made off shore. The U.S. textile machinery industry used to produce some 20% of the consumption of looms in the world; today, it produces less than 100 looms per year.

What's being done about this—how is Congress willing to help? I guess that's best summarized by a statement from William Proxmire speaking about the impact of foreign competition in U.S. business. "The hard fact is that some businesses must improve their products and methods drastically to stay alive. Perhaps even adapt their production facilities to new lines or go out of business." That is exactly what the Trade Adjustment Assistance Program (TAAP) is about. It is the life preserver thrown to the ailing industry by the U.S. Congress.

Of course the TAAP goals are to help increase sales and to help increase imployment in these import impacted industries that we're working with. The Southeastern Trade Adjustment Assistance Center (TAAC) is one of thirteen TAAC's in operation in the United States. It has an eight state region covering southeastern states from Kentucky to Florida and from North Carolina, west to Mississippi. The uniqueness of this federal program is that it involves three different parties. The U.S. Department of commerce, which provides the funding, non-profit consultant organizations (such as Georgia Tech Research Institute), which provides consultant services, and the impacted companies.

Let me provide you with a bit of background on Georgia Tech Research Institute (GTRI). The Research Institute was established in 1934. It is a non-academic arm of Georgia Tech and employs the largest number of employees of any unit within Georgia Institute of Technology. We have 1,300 employees. GTRI does approximately sixty million dollars a year in contract work primarily providing research and consulting services to the federal government, Georgia state government, local government, and also to private industry.

The Southeastern TAAC staff is comprised of individuals who have experience in formulating strategies for import impacted companies. These individual's have experience from the consulting industry, or manufacturing or both. They have engineering and business degrees coupled with MBA's in most cases. The average length of experience is twelve years. Also the TAAC can supplement our staff's experience with outside consultants.

Topics for the rest of the slide program are (1) the type of assistance provided, (2) how to qualify and (3) how a company gets started.

Primarily two benefits are provided under the program consulting and financial assistance. The consulting assistance provided to companies is of a business nature and up to 75% of the cost of these services will be born by the federal government.

You see on the screen some examples of the types of consulting services that we perform by functional area. Of course, under each of these functional areas there are many different types of projects that might be provided.

The consultant process flows as follows: The initial visit starts with a presentation to the company on what it takes to qualify for the program. If there is interest and potential eligibility, then an application is completed and filed with the U.S. Department of Commerce in Washington, DC. Shortly after that application has been approved, the TAAC consulting staff will make their initial visit. They will gather specific information about each of the functional areas of the company. After further analyzation the TAAC staff provides a proposal to the company for the very first phase of consulting work for review.

In the first phase of consulting work our staff provides a diagnostic of the company's situation and as a result of that diagnostic begin assisting the company's development of a strategic plan of action, or how it may overcome the import competition as well as other factors that are harming the company's performance. As a result of the stratetic planning process, a business plan is formulated. The second phase is implementation. Here the TAAC staff assists the company in implementing several key projects identified from the strategic plan.

The application process from the point it is filed in Washington until the results of application are known takes approximately two months. The development of the business plan (the first stage of assistance) generally takes about four months. The implementation process requires anywhere from six months or longer depending upon the nature of the projects.

Financial assistance: Financial loans are available to companies under this program in the form of either direct loans or up to 80% guaranteed loans through financial institutions. A company can borrow up to one million dollars direct from the U.S. Department of Commerce or can arrange for guaranteed loans of up to three million dollars. The loans can be used for the purchase of fixed assets, such as plant modernization. Or the money can be used to provide working capital to the company. The company is eligible to receive these consulting financial benefits for up to two years beyond the date the company was certified eligible for TAA.

How does a company qualify for the program? First, the company must be able to demonstrate declines in sales or production, or in some cases, we can work with a company who has a declining sales trend.

The company must also demonstrate declines in employment. The declines can be a head count decline of 5% or a decline in work hours of at least 20%. And lastly in some cases a theat of unemployment can help a company become qualified. Needless to say, the company must demonstrate that it has been impacted by similar imported products and that those competing imported products are increasing domestic market share.

How does a company get started? First, they can contact the Southeastern TAAC or mail in a business reply card from our brochure. Secondly, someone from our Outreach Staff will schedule an initial meeting with the company where they will review the company's current situation and the eligibility process as well as the benefits the company can receive under the program. Thirdly, the company will submit an application with our assistance. Thank you very much.

STATEMENT OF DAVID R. MARSH, CONSULTING MANAGER, SOUTHEASTERN TAAC, ON BEHALF OF SPARTA SPOKE CO.

Mr. **Marsh.** Mr. Chairman, members of the committee, I am David Marsh, I also work for Georgia Tech, I am a project manager. I am going to present to you the way we interface with a company and the results we have gotten in a specific case study.

Sparta Spoke is the case. It is a wood products manufacturer in Tennessee. Mr. Tubb is president. I wish he could have been here, but he had a prior commitment. He has asked that I present his case.

I am going to show the process we go through. I am going to highlight the three areas: Building the strategic plan, analyzing the company, and developing the strategic plan.

The points that I will discuss are the analysis of the company and the industry, development of the strategic plan, and then the implementation of that plan.

The first thing we do when we visit a company in this process is to analyze the firm. We look at its financial situation, operations, marketing, engineering, manufacturing, et cetera.

Simultaneously, we also analyze the industry; the size of the industry, trends, competition, nature of technology, and the firm's position.

We then develop the strengths and weaknesses of the firm. This is really the key. If we can isolate these, we can help the firm the most.

With the firm's management, we build a recovery strategy and submit that to the Department of Commerce for approval. In the recovery plan we will include specific actions to be taken to implement that strategy, including the tasks, timetables, costs, and the benefits.

Sparta Spoke is in the hardwood dimension industry. Its industry has limited growth opportunity because the hardwood forests available in the United States limit the availability of hardwood during boom years, and during recessions substitute products including plywoods, metals, and composite woods penetrate the lower cost market. Fine wood furniture, made of hardwood, is the primary market for this industry.

Demand in this industry has been stable because of those two conditions since the 1950's, until the recent surge of imports.

Since 1982, dimension imports are up 138 percent, and they are continuing to rise this year.

Wood furniture imports are up 58 percent. In other words, the market is shrinking; their clients are imported as well as them.

Mr. Pease. Could you tell us what the DHA is again?

Mr. Marsh. Hardwood dimension is a formed piece of wood, a processed piece of wood. It might be a leg for a chair, generally unfinished. Dimension manufacturers take a piece of lumber, dry it and process it into a piece for furniture manufacturers or, sometimes other components for equipment.

There is the longer range trend in imports in this industry. You can see that since 1982, imports are up sharply. In the past, they have generally increased with the economy. They have been fairly consistent by about 6 percent of the market, but now are well over 12 percent.

Sparta Spoke's factory was founded in 1896. It soon became the largest spoke manufacturer in the world. Like buggy whips, of course, the spoke wheel went out of style and they—Sparta—went into the hardwood dimension industry making hardwood furniture parts.

Sparta Spoke is located in rural east Tennessee in Sparta, which has a population of 5,000, an employment base of about 1,000, of which they employ 70. They are a fairly major employer in the area.

It is a typical firm in the industry, it is family-held, $2.5 million in sales 60 employees—60 to 70—a very typical dimension manufacturer.

The processing starts again with green lumber, they bring it in, dry it and process it into furniture components. In our analysis, we identified the following strengths:

First off, they had an excellent location to the resources, the finest hardwoods in the world are located along the Appalachian Mountains. They also have an excellent location to the clients, which are in North Carolina and Tennessee.

Sparta has established a name in the industry over the last 100 years, a well-respected name. They have a broad product line of furniture parts, are financially viable, have an experienced work force and competitive facilities, although they were not technologically advanced facilities.

A lathe is a lathe. It is used world round, so they were competitive around the world. Sparta has some semiautomatic equipment. They knew how to use the right species and grades of wood to minimize material costs, and this is the most expensive portion in this industry's costs; generally 50 percent.

The weaknesses, on the other hand, were they had a vulnerable product line. One of their product lines was dimension parts for director's chairs, a perfect type of item to be imported. It is a standardized, mass-produced item.

They had no sales organization and they relied on calls coming in, orders to come in, to call in.

They had experienced a lot of late orders because they virtually had no production controls. They had an excellent reputation, but recently, because they had never developed a quality system and always relied on their craftsmanship, they had been experiencing some quality problems. Sparta also experienced excessive waste, primarily because their employees had no incentive to perform well. Typical of a small, family-held business, there were no incentives for the individual employee other than his wage.

Excessive inventory was also a weakness. Sparta bought too much material, which would have to be air-dried about 3 months before it could be processed. Labor and management again had no incentive.

We developed a long- and short-term strategy. The short-term strategy was to improve liquidity by reducing inventory and overhead costs by installing overhead cost controls.

Sparta reduced its cost primarily by helping to reduce its waste and to improve productivity of each of the employees. It was below the industry average output per employee.

Long-term strategy was to, first, diversify into a timbering operation—they had idle property that had never been logged; second, improve marketing, by developing a sales organization; and third, develop a replacement product line for director's chair parts.

SETAAC was to assist the firm implement certain aspects of that plan. The first was a yield improvement program. We helped them install a waste control system, and an inventory control system that relieved them of about $300,000 inventory and permitted them to go into timbering.

We helped them install quality control procedures for the firm that now enables them to identify exactly what the quality is before it leaves their door, not when the customer sends it back.

We helped install an incentive system, a profit-sharing system whereby the employees will share in gross profits as a productivity incentive.

A marketing plan is still being developed, and has been partially installed. It basically was to develop a new product line and give them improved sales.

The firm separately was to develop the timbering operation, and to install a job control system. By job control, I am not talking about workers. I am talking about the job going through the plant, the work order.

The program costs and benefits are shown here for Sparta Spoke. The firm's share is 25 percent, the Government's 75 percent. The diagnostic phase cost $12,000, the implementation phase cost $60,000, for a total of $80,000.

The firm's benefits so far have been, first, a reduction of $300,000 in inventory which permitted them to go into the timbering operation; second, costs have declined $80,000 per year; and third, its volume is up over 40 percent, even though it has replaced its director's chair line, which was 55 percent of its volume.

Its employment is up about 20 percent. Morale is up significantly, primarily because of the profit-sharing incentive system and the fact that it is a very positive organization. Sparta is profitable for the first time in 5 years.

The Government's benefits, have been Federal tax increases of over $30,000 per year. The company had been getting rebates for the last 5 years, and now it is paying over $30,000, so it is well over $30,000 to the Government in corporate taxes.

Because of the profit sharing, the Government would get individual tax increases of about $5,000. This does not include the increase we get from employment, just because the employees are making more than they were before.

There is no longer anybody on layoff. Sparta called everybody back and they are hiring and training new people. They have no other Federal assistance programs in effect. The local economy also benefits, the State benefits, the FICA benefits.

That concludes my presentation.

[The prepared statement follows:]

STATEMENT OF DAVID R. MARSH, SOUTHEASTERN TRADE ADJUSTMENT ASSISTANCE CENTER, ON BEHALF OF THE SPARTA SPOKE CO.

BACKGROUND

Sparta Spoke manufactures hardwood components from lumber. Three product lines developed from the original wagon wheel spokes: furniture components, machinery parts of wood and directors chairs.

Sparta was founded in 1896 and became the world's largest producer of wagon wheel spokes. The plant is located in rural east Tennessee and is a major employer in Sparta, the population of which is 5,000.

The hardwood dimension industry is composed of about 400 firms. The average firm in the industry has sales of $2 million. There are no dominant firms in the industry as most are rural, family held companies. The major consumer of hardwood dimensions is the furniture industry. Due to the limited supply of hardwood and its use primarily in fine furniture, U.S. production of hardwood dimensions has been relatively stable since the late 50's until the recent surge in imports.

Imports of hardwood components grew slowly from 1973 to 1982. Since 1982, however, imports have grown over 50 percent per year and now compose over 15 percent of the market. Much of these imported components were produced from U.S. logs which were produced from U.S. logs which were purchased above market price by foreign producers, thus limiting the supply available to domestic producers and driving up the price.

Sparta's sales peaked in 1980 just over $2 million. Employment was as high as 75. When Sparta was certified in May, 1983, employment had declined to 65, sales to $1.8 million and margins had eroded. Sparta had not been profitable in five years and the future of the company was uncertain. Many of Sparta's domestic competitors had declared bankruptcy or closed their plants.

ASSISTANCE

The Trade Adjustment Assistance received was in three phrases: a diagnostic analysis of Sparta's operations, the development of a recovery plan and the implementation of that plan. Although implementation has not been completed, significant results have already been achieved.

The diagnostic identified Sparta's strengths and weaknesses and recommended alternative solutions. The major problem was identified as Sparta's product line. Fifty-five percent of the firm's sales were directors' chairs and parts. Such standardized, mass market products are typical import targets and Sparta had dedicated too much of its capacity to the production of this low margin product. As a result, the quality, service and pricing of other products were suffering. Additionally, the firm had excessive inventory, lacked effective productivity incentives and experienced a very high waste.

The diagnostic team was composed of the project manager and an engineer from SETAAC and a consulting engineering firm specializing in the hardwood industry.

After the diagnostic analysis, Sparta and SETAAC developed an adjustment plan which adopted the following strategy:

1. Improve profits by improving productivity, lowering material waste, improved inventory management and improved control of work in the plant.
2. Improve marketing effectiveness by establishing a sales organization and quality controls.
3. Diversify operations through backward integration into logging.

The implementation of this strategy was accomplished through seven projects. SETAAC was to assist the firm in five of these, three of which have been recently completed. They cover quality, productivity, and inventory management. A marketing plan is near completion and portions have already been adopted. An information procession system will be initiated in the summer. All implementation projects were contracted to consulting specialists familiar with the dimension wood industry.

Quality control project

The subcontractor and firm worked together to develop a new method of controlling quality in a wood processing plant. The statistically based system was designed to identify rejects at each stage of the operation, indicate the causes and minimize processing on unacceptable parts.

Inventory control project

The subcontractor assisted the firm develop a system for projecting lumber needs by species, grade and size, minimizing inventories within brief sales delivery standards and limiting deterioration of materials on the yard and in warehouses. Inventory has been reduced by $300,000.

Waste reduction/productivity improvement project

A subcontractor assisted the firm develop a system for reducing material waste while improving output per employee hour. Improved storage conditions, kiln and predryer operating practices, rough mill cutting practices and facility scheduling were all incorporated in the project.

Marketing plan

A subcontractor assisted the firm identify holes in its marketing organization, product line opportunities, improvements in the promotion program, pricing procedures and customer service improvements. Marketing objectives and a plan for achieving these objectives will be finalized in the near future.

Additionally, Sparta Spoke took several actions on it own as a part of the overall recovery strategy. These included the start-up of a timbering operation to supply itself lumber and the installation of a job order control system in the plant. Both have been successfully completed.

RESULTS

Sparta sales are now at record levels even though a product line that was supplying 55 percent of our sales (directors chairs) has been lost to imports. Employment is up although productivity has improved significantly. Further improvement in productivity is anticipated as a result of a productivity incentive/profit sharing system which SETAAC helped install. Due to improvement in waste, Sparta will save about $80,000 per year. Sparta has been successful in reducing our inventory by $300,000 which will finance the timber operation and further lower our material costs. Morale is up through the company and we are now profitable for the first time in five years. The assistance received from the Trade Adjustment Program has been a major reason for the recovery of Sparta Spoke.

Chairman **Gibbons**. Thank you. That is an interesting experience. It was a little woodworking operation there. What was the total employment?

Mr. **Marsh**. Sixty, and it was falling rapidly. Now it is 70.

Chairman **Gibbons**. Good.

I forgot to introduce my cochairman here this morning, Mr. Pease, on my right, a Democratic Member from Ohio; Mr. Frenzel, on the left, is a Republican Member from Minnesota. On my right, of course, I do not need to introduce this gentleman, your Congressman from this area.

Mr. **Fowler**. No, let us not submit that to a vote.

Chairman **Gibbons**. And a very effective member of our committee. On our left over there is Mr. Schulze from the State of Pennsylvania, also a very effective member of the committee.

Don, do you have any questions?

Mr. **Pease**. Mr. Chairman, first of all, I would like to thank the panel for an excellent presentation, and it is a good overview I think for what we will hear later this morning.

I thought the slide presentation was particularly good. Frankly, that is a little elementary, but we need it. As I said before, there has not been very much knowledge on the part of Members of Congress how this program actually works. I think it is very useful for you to walk through the actual steps with us as you have.

In the case of Sparta, what was the Government's investment in Sparta through the TAAC? How much was our share of the implementation plan and the rest of it?

Mr. **Marsh**. The total program cost was $80,000, of which the Government paid 75 percent, or $60,000.

Mr. **Pease**. $60,000, and you say in the first year, there will be a $30,000 increase in corporate taxes paid, and $5,000 additional by the employees from the profit sharing, not to mention the taxes paid by the additional employees?

Mr. **Marsh**. That is correct.

Mr. **Pease**. So that the investment of the Government will be recouped, it looks like, in a year, certainly no more than 2 years.

Mr. **Lindsey**. Mr. Pease, if I might, one of the factors that people often forget is that many of the companies that we work with when we go in have significant numbers of employees on layoff, so not only are you realizing the increase in corporate taxes, but the decrease of unemployment payments, so I think that needs to be factored into the return on investment of the Government as well.

Mr. **Pease**. Mr. Chairman, I am really intrigued by this Sparta Spoke example. I had occasion in my own district about 2 months ago to visit a small company in Medina County, OH, that makes catheters. It has been in business for a long, long time doing a very good job; it is a very good product.

But even walking through the plant, I could see that they needed some management advice and could improve the efficiency of their operation.

The owner of this plant was quite concerned about imports coming in from Malaysia, I think it was, to his industry in general, but his case I think was really pretty typical of a lot of small companies spread around the United States; did not have any sales force, had very little contact with other people in the industry.

They just knew how to make catheters, they knew how to make them well, but in terms of facing any kind of sophisticated competition, they were really out of it, and I tried to put them in touch with the TAAC for our area.

But that experience would be very typical of the people that you deal with, they know how to make a product and make it well, but in a sense time has passed them by.

Mr. SPRINGFIELD. That, in many cases, is the situation. In some other cases, that is not the situation, they have been up to speed technologically with the manufacturing processes, and they have just been import-impacted and often have new assets that they have not really been able to fully depreciate.

Mr. PEASE. How many companies does your TAAC work with in the course of a year?

Mr. SPRINGFIELD. In the course of a year, the firms that start into the technical assistance process, and I say this because there are firms that submit applications that do not pursue it beyond that, but for the ones that start into the technical assistance process, we generally help from 35 to 50 firms a year with the business planning and implementation of the adjustment plans.

Mr. PEASE. Thirty-five?

Mr. SPRINGFIELD. Thirty-five to fifty.

Mr. PEASE. All right, and what is the Federal budget involvement in your particular TAAC?

Mr. SPRINGFIELD. Last year, it was $1.3 million.

Mr. PEASE. So, for $1.3 million, you are actually able to provide assistance to upward of 50 companies a year?

Mr. SPRINGFIELD. This is correct. We help firms fill out applications and contact trade associations and advise them of the availability of the program, and numerous other activities that are part of our charter are also funded out of the $1.3 million.

Mr. PEASE. We had a hearing in Washington earlier this year, and the Commerce Department testified that it did not want to extend the program either for individuals or for firms. The Commerce Department in its testimony leaned heavily on a draft inspector general's report which their witness said, "less than 5 percent of the firms entering the program were impacted positively by the assistance."

I asked for a copy of that inspector general's report and have still not received it, but I am just curious to know if you have any reaction to that statement that less than 5 percent of the firms are impacted positively?

Mr. SPRINGFIELD. Mr. Pease, when the inspector general visited our TAAC, we had quite a few conversations with him about the methodology of the study, his understanding of the program. Mr. Lindsey and I met with him on several occasions and were concerned that he was confused about the program and actually misunderstood it.

I assure you that from the information that he obtained from our TAAC that there is no way that he could draw a conclusion like that.

Under a critical evaluation of our experience, we would be able to claim at least 50 to 55 percent of our firms benefited, and if we were to utilize the terminology of Deputy Under Secretary Wethington used "positively impacted," I believe we could say that we positively impacted at least 75 percent of the firms we worked with.

Mr. **Pease**. Very good.

Mr. Chairman, I have some information from the Department of Commerce, an internal document which pretty effectively refutes this draft report that I have yet to see, and I would like to ask permission to insert that in the record at this point.

Mr. **Frenzel**. Reserving the right to object until we know where it came from. Do you have any authenticity?

Mr. **Pease**. Yes, sir; it comes from, I think, a Deputy Under Secretary of the Department.

Mr. **Frenzel**. It is attributed?

Mr. **Pease**. Yes.

Mr. **Frenzel**. All right, I withdraw my reservation.

Chairman **Gibbons**. Without objection, the report will be included in the record.

[The information follows:]

DRAFT

INTERNATIONAL TRADE ADMINISTRATION
TRADE ADJUSTMENT ASSISTANCE:
NO CURE FOR IMPORT-INJURED FIRMS

REPORT NUMBER D-068-5-XXX

UNITED STATES DEPARTMENT OF COMMERCE
OFFICE OF INSPECTOR GENERAL

February 1985

DRAFT

INTERNATIONAL TRADE ADMINISTRATION
TRADE ADJUSTMENT ASSISTANCE:
NO CURE FOR IMPORT-INJURED FIRMS

EXECUTIVE SUMMARY

The Trade Adjustment Assistance (TAA) Program is no cure for import-injured firms because critical components of the import problem are outside the program's control or influence. The TAA Program is intended to provide technical and financial assistance to help firms recover from import injuries so that they can again be competitive and self-sustaining. Unfortunately, the concept of improving a firm's operations to combat import competition ignores many current world-wide economic and market conditions which can diminish or negate any gains a firm may achieve. These economic and market realities include:

o low labor costs and foreign government-subsidized industries which allow foreign manufacturers to produce goods at lower cost;

o the strength of the dollar in international markets which makes foreign goods cheaper than those produced domestically;

o the huge Federal deficit which drives up interest rates and reinforces the strength of the dollar; and

o the evolution of the U.S. economy which is gradually shifting from manufacturing to service industries.

In addition to adverse economic and market conditions, deficiencies in the assistance process also inhibit program effectiveness. Because of legislated eligibility requirements to prove import injury, many firms are already mortally wounded by imports before receiving assistance. Excessive time required to provide assistance and methods employed in the assistance process also hamper program achievements. Based on sample results, 220 (72.6%) out of 303 firms entering the TAA Program dropped out before receiving any constructive assistance. An additional 63 (20.8%) firms are projected to receive assistance but will fail to recover. The remaining 20 (6.6%) firms are projected to improve or stabilize sales or employment, but only 11 (3.6%) will be directly attributable to the TAA Program. We conclude that despite $50 million expended during fiscal years 1982 and 1983, 96.4 percent of firms entering the program will not be effectively assisted. We also conclude that although legislative changes and management action could improve assistance procedures, TAA Program effectiveness has little chance for improvement because the program cannot overcome the overwhelmingly adverse economic and market environment which creates U.S. import problems. In this period of huge budget deficits, we do not believe that a Federal subsidy program which successfully aids only 3.6 percent of clients requesting assistance--and has little chance for improvement--can be justified. The Government could save at least $25 million annually if the TAA Program for firms is abolished.

INTRODUCTION

Congress enacted the first trade adjustment assistance program in 1962 anticipating that many U.S. firms would have difficulty coping with lower trade barriers and the resulting import competition. The Trade Expansion Act of 1962 was ultimately expanded by the Trade Act of 1974 to include trade adjustment assistance for workers, firms and communities adversely affected by import competition. Under Title II, Chapter II of the Trade Act of 1974, the U.S. Department of Labor provides supplemental unemployment benefits, training and relocation allowances to eligible workers. Under Chapter III, the U.S. Department of Commerce provides technical assistance, loans and loan guarantees to eligible firms. Under Chapter IV, the U.S. Department of Commerce is authorized to provide assistance to trade-impacted communities; however, this assistance has generally been provided under the Special Adjustment Assistance Program in the Economic Development Administration.

Within the U.S. Department of Commerce, the International Trade Administration (ITA) is responsible for the Trade Adjustment Assistance (TAA) Program for firms. Responsibility was transferred from the Economic Development Administration to the ITA, Office of Trade Adjustment Assistance (OTAA) on October 1, 1981. OTAA administers the program through three divisions (Certification, Technical Assistance, and Financial Assistance) staffed by 28 personnel. Technical assistance is furnished through thirteen Trade Adjustment Assistance Center (TAAC) grantees which are funded by the TAA Program and located throughout the United States. Direct loans and loan guarantees are provided by OTAA.

How the Program Works

The TAA Program is intended to provide technical and financial assistance to help firms recover from import injuries so that they can again be competitive and self-sustaining. Steps in obtaining trade adjustment assistance include certification, the formulation of a diagnostic survey/adjustment plan, and technical/financial assistance.

- Certification. A firm files a certification petition claiming that sales or production declines are attributable to imported products and that employment has decreased. The Certification Division verifies these claims, primarily by telephoning the firm's customers, and rules on the firm's eligibility.

- Diagnostic Survey/Adjustment Plan. TAAC personnel prepare a diagnostic survey which identifies the firm's problems and assesses recovery probability. TAAC and firm personnel formulate an adjustment plan which describes the firm's recovery strategy and the type of assistance it will seek under the TAA Program--e.g., a plan for diversifying product markets to regain lost sales volume might require a research study, partially funded by the TAA Program, to determine the most profitable alternatives.

- Technical/Financial Assistance. Once OTAA approves an adjustment plan, the firm may apply for technical and financial assistance to implement recovery strategy--generally referred to as implementation assistance. The term "implementation assistance" is somewhat misleading because, although it is the final stage of assistance, in many cases it does not include all actions necessary on the part of the firm. For example, implementation assistance may include obtaining engineering studies to identify methods for improving manufacturing efficiency but does not include executing the study recommendations--such as rearranging existing equipment, purchasing more technologically advanced equipment, or building a new facility. Firms are required to pay a minimum 25 percent share of the cost of technical assistance and may receive direct loans up to $1 million and loan guarantees up to $3 million to help finance the recovery strategy.

In the 2-year period between October 1, 1981, and September 30, 1983, OTAA (according to OTAA internal documents) provided $29.6 million of technical assistance to 1,257 firms and $35 million of financial assistance to 28 firms. OTAA has no statistics on the number of firms that have successfully adjusted to imports.

Funding History

Every year since 1982, ITA and the Administration have requested elimination of the TAA Program:

- In 1982, ITA proposed to eliminate 28 positions and $30 million by abolishing the TAA Program because "As of June 30, 1981, 30 percent of the TAA portfolio was delinquent in meeting payments and another 33 percent was in the process of liquidation. In addition, only about 65 firms per year have benefited from TAA loans and loan guarantees of which a significant portion have failed to adjust to import competition."

- In 1983, ITA proposed to eliminate the TAA Program by transferring $20,100,000 from fiscal year 1983 appropriations to the Small Business Administration. The Administration stated, "[We have] determined that this program should be terminated because it has for the most part failed to achieve its objective of facilitating adjustment. The TAA Program has consistently suffered from a high default rate because many of the beneficiary firms go bankrupt shortly after receiving assistance."

- In 1984, ITA proposed to eliminate the program because "[1] The fact that a firm has been harmed by import competition should not constitute per se justification for special Government assistance. Such special treatment is unfair to firms that have been harmed by domestic competition, or by recent recessions; [2] U.S. trade laws provide remedies against unfair import competition. TAA is available to firms even if the import competition was fair--i.e., not subsidized or dumped; and [3] Default rates suggest that a large proportion of TAA loans and loan guarantees have failed to result in the intended adjustment. As of December 31, 1983, 11.2% of the TAA portfolio was delinquent in meeting payments, 17.5% was in liquidation, and 32.2% was written-off."

Congress, however, decided to fund the program for each fiscal year, apparently due, at least in part, to (1) TAAC personnel and import-injured company executives testifying that the program had produced several successful adjustments and (2) the belief that Congress could prevent a deluge of industry requests to enact protectionist measures such as import quotas and tariffs by funding assistance for firms injured by U.S. trade policies. TAA Program appropriations for fiscal years 1982 through 1984 were allocated among major cost objectives as follows:

Cost Objective	1982	1983	1984
Administration	$ 1,913,000	$ 1,922,000	$ 2,000,000 (est.)
TAAC Grants	8,694,139	12,989,556	13,151,416
Industry Grants	3,467,912	4,477,659	3,151,339
Loans to Firms	12,484,000	12,484,000	7,500,000
Total	$26,559,051	$31,873,215	$25,802,755

ITA has requested no funding for the TAA Program for fiscal year 1986.

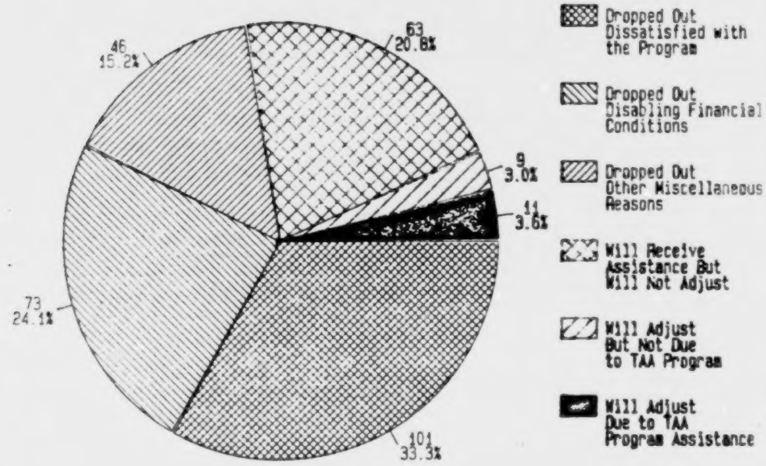
Purpose and Scope of Audit

The purpose of our audit was to assess the effectiveness of the TAA Program in promoting economic adjustment and full employment for import-injured firms.

- To determine legislative purpose, we reviewed authorizing legislation and other Congressional records, particularly those pertaining to TAA Program appropriations.
- To gain an understanding of the assistance process, we interviewed OTAA officials in Washington, D.C. and reviewed internal evaluations of TAAC operations which they provided, and interviewed directors at four of the 13 TAACs.
- To evaluate the effectiveness of the program, we reviewed client files at the New England, New Jersey, Mid-Atlantic, Southeastern, Metro New York and Midwest TAACs. Clients completing implementation at four TAACs sampled represent 32 percent of all firms completing implementation nationwide in 1982 and 34 percent in 1983. We reviewed a total of 182 client files and made on-site visits to or telephone interviews of 121 firms. We used client file documentation, TAAC staff and client comments, and Dun & Bradstreet reports to classify firms as improving, stabilized, declining, sold, bankrupt or closed.

We did not review the industry grants segment which amounts to approximately 13 percent of the TAA Program budget. The audit was performed during the period September through December 1984. The audit was conducted in accordance with generally accepted government auditing standards and was performed under the authority of the Inspector General Act of 1978 and Department Organization Order 10-13, dated May 22, 1980.

ANALYSIS OF TAA PROGRAM EFFECTIVENESS
FY 1982 AND 1983



FOOTNOTE: Projected achievements of 303 certified firms.

TRADE ADJUSTMENT ASSISTANCE:
NO CURE FOR IMPORT-INJURED FIRMS

The Trade Adjustment Assistance (TAA) Program is no cure for import-injured firms because critical components of the import problem are outside the program's control or influence. The TAA Program is intended to provide technical and financial assistance to help firms recover from import injuries so that they can again be competitive and self-sustaining. Unfortunately, the concept of improving a firm's operations to combat import competition ignores many current world-wide economic and market conditions which can diminish or negate any gains a firm may achieve. Serious deficiencies in the assistance process also inhibit program effectiveness. Based on sample results, 220 (72.6%) out of 303 firms entering the TAA Program dropped out before receiving any constructive assistance. An additional 63 (20.8%) firms are projected to receive assistance but will fail to recover. The remaining 20 (6.6%) firms are projected to improve or stabilize sales or employment, but only 11 (3.6%) will be directly attributed to the TAA Program. The chart on page 3a depicts the projected status of 303 sample firms entering the TAA Program and illustrates the program's staggering failure to improve or stabilize import-injured firms. We conclude that despite $50 million expended during fiscal years 1982 and 1983, 96.4 percent of import-injured firms entering the TAA Program will not be effectively assisted. We also conclude that although legislative changes and management action could improve assistance procedures, TAA Program effectiveness has little chance for improvement because the program cannot overcome the overwhelmingly adverse economic and market environment which creates U.S. import problems.

Large Numbers of Firms Drop Out of the Program

A majority of firms entering the TAA Program never receive any constructive assistance. An analysis of 303 firms receiving certification at the Midwest, Mid-Atlantic, New Jersey and New England TAACs during fiscal years 1982 and 1983, revealed that 220 firms, or 72.6 percent, dropped out of the program before reaching the implementation phase. The tremendous percentage of client firms dropping out of the program raised an important question--If the firms are eligible, why would they choose not to participate in a Federal program which could offer a 75 percent subsidy for the cost of assistance?

To determine the reasons why so many firms chose not to participate, we reviewed files or made telephone interviews of all Midwest TAAC clients entering the TAA Program in fiscal years 1982 and 1983. The Midwest TAAC was selected for analysis because its dropout rate was within about one percent of the overall dropout rate of 72.6 percent. At the Midwest TAAC, 48 of 65 (73.8%) certified clients dropped out of the TAA Program before reaching implementation. Further analysis revealed two predominant and several miscellaneous reasons for not participating. The two predominant reasons were dissatisfaction with various aspects of the program and disabling financial conditions which prevented the firms' participation. The following text summarizes Exhibit I of this report which details the evidence obtained from Midwest TAAC client interviews and files.

Dissatisfaction with the program was the more predominant reason, comprising 33.3 percent of the firms entering the TAA Program (see chart, page 3a). Examples of specific reasons included in this category are:

- Clients did not believe the type of assistance rendered would be effective--many wanted U.S. Government intervention in the form of trade barriers for certain goods.
- Client cost shares were too high for the benefits received or were too high for a financially weakened firm to afford.
- The assistance process took too long.
- Clients did not want OTAA to contact customers to confirm sales declines because the procedure created rumors in the business community that the firm was in financial difficulty.
- Clients were concerned about the confidentiality of financial and other data gathered during the diagnostic survey--for example, they feared financial information would be referred to the Internal Revenue Service.
- Clients found lower loan interest rates or loans which did not require personal guarantees from the firm's principal officers.

Disabling financial conditions was the second predominant reason, comprising 24.1 percent of the firms entering the TAA Program. Examples of specific reasons included in this category are:

- Clients filed for bankruptcy.
- Clients closed the business for lack of sales or profits.
- Clients were experiencing such financial difficulty that TAAC staff determined the firm could not be effectively assisted.

Other miscellaneous reasons were identified for the remaining 15.2 percent of the firms entering the program. Examples of specific reasons included in this category are:

- Clients wanted financial assistance without the required technical assistance.
- Client petitions or adjustment plans were rejected by OTAA.
- Clients closed the manufacturing segment of their business because other segments were more profitable.
- Clients were determined to be ineligible for assistance.

Most of the reasons cited by clients for dropping out of the program related to eligibility requirements, excessive time, or troublesome procedures which could be improved through legislative changes and management action.

Eligibility requirements probably contributed significantly to the 24.1 percent of clients who dropped out of the program due to disabling financial conditions. Because of legislated requirements to prove import injury, many firms were already mortally wounded by imports before receiving assistance. Under the Trade Act of 1974, a firm may be certified as eligible for adjustment assistance only after it is determined that sales or production, or both, have decreased absolutely; and that increases in imports of articles like or directly competitive with articles produced by the firm significantly contributed to the decline. Unfortunately, the fact that sales or production have declined indicates that foreign competitors have captured certain domestic markets which could be difficult, if not impossible, to reclaim. In 1983, the president of the Industrial Policy Council advised Congress that "some means" should be devised to institutionalize the concept of "threat of harm" so that adjustment assistance could be provided to industries under import attack before they had been weakened to the point where adjustment measures were insufficient. The concept of predicting future import injury to allow assistance before any damage occurs has some merit; however, predictions traditionally have been unreliable and easily manipulated, and cannot be unequivocally recommended.

With regard to excessive time, a frequently voiced complaint during client interviews was the excessive time required to obtain meaningful assistance. Time required between certification and implementation completion was excessive for financially weakened firms inundated by imports to survive. Time periods for sample firms to complete implementation ranged from a high exceeding six years to a low of one year, with an average of two years, eight months. TAAC directors had several recommendations for condensing assistance time. Some recommendations, such as certifying entire industries instead of individual firms to eliminate certification time, and condensing the diagnostic survey and adjustment plan into one document to save writing time, were worthy suggestions. Others, such as using express mail for most correspondence and enlarging the use of sole-source contracts to reduce procurement time for consultants, were not. The directors sampled agreed that assistance time could be reduced to a minimum five or six months under ideal circumstances; e.g., for firms with one basic product line, one manufacturing process, and one client or market base.

Still another frequently voiced complaint concerned procedures used during the assistance process. The procedure mentioned most often involved calling a firm's customers to verify that sales decreases we due to imports. Many firms were reluctant to have a Government agency contact customers because the procedure created rumors in the business community that the firm was experiencing financial difficulties and customers could be lost as a result of this verification process. The New England TAAC director explained another ramification of contacting customers: "The customer list requirement which has historically been a problem for certification [should be] eliminated. Many client customers, particularly large retailers are reluctent and/or just plain unwilling to talk to Government officials about their import activities. This is growing worse as many U.S. industries clamor for trade protection. Thus, clients who have legitimately been trade impacted currently may not be certified due to reluctance on the customers' part to confirm that they import."

We conclude that the 72.6 percent dropout rate could possibly be reduced through legislative or management actions, such as (1) revising legislation to allow firms to obtain assistance before imports cause irreparable damage, (2) reducing time required to provide assistance, and (3) eliminating assistance procedures which clients believe violate confidentiality. We then determined whether the success of the TAA Program would improve dramatically if such corrective actions proved effective in allowing more firms to reach the implementation phase of assistance.

Assisted Firms Do Not Improve or Stabilize

To determine if lower dropout rates would significantly improve TAA Program effectiveness, we attempted to analyze the status of the remaining 83 firms, or 27.4 percent of clients, entering the program in fiscal years 1982 and 1983 (see chart, green portion, page 3a). The purpose of our analysis was to determine whether client firms had a reasonable chance of successfully adjusting to import competition if they completed the assistance process. According to OTAA, "successful adjustment" to imports occurs when "...a company has completed the major goals of the adjustment plan and has shown improvement in its financial, market share and employment indices and has done so for its principal trade-impacted product in an environment of continuing vigorous foreign competition." Unfortunately, the application of OTAA's stringent definition to the small number of clients entering the program and completing implementation in the 2-year sample period left too few examples on which to base our conclusions. Consequently, we chose to select clients completing implementation in fiscal years 1982 and 1983 regardless of the year the firms entered the program. The sample was considerably more favorable to the TAA Program because (1) it eliminated the portion of remaining clients who reached but did not complete implementation; thus, all clients reviewed were the product of the program's most comprehensive and complete efforts to assist import-injured firms, and (2) the audit period allowed up to two years after implementation completion before determining if the assistance rendered had effectively assisted import-injured firms.

In addition, we chose not to apply OTAA's stringent definition of "successful adjustment" and allowed credit for any firm whose sales, production or employment stabilized or increased. Even using our more liberal criteria, 87 percent of clients completing implementation during fiscal years 1982 and 1983 did not stabilize or improve as a result of TAA Program assistance. The following schedule summarizes the results of the sample described above. The schedule lists the status of all clients completing implementation at the New England, New Jersey, Mid-Atlantic, and Metro New York TAACs during fiscal years 1982 and 1983 and our projections, based on percentages derived, of the 303 firms in our original sample of certified clients that will ultimately achieve a successful adjustment to imports.

Status of Clients Completing Implementation

		Sample		Sample % Times 83 Remaining	Percent of 303 Certified
		Number	Percent		
Firms That Did Not Adjust					
Closed	6				
Bankrupt	6				
Sold	5				
Declining	9				
Importing	3	29	76%	63	20.8%
Adjusted But Not Due To TAA Program		4	11%	9	3.0%
Firms Failing to Adjust and Adjustments Not Due to TAA Program Efforts		33	87%	72	23.8%
Adjustment Due to TAA Program		5	13%	11	3.6%
Total Firms Completing Implementation		38	100%	83	27.4%

As noted above, only 11 firms, or 3.6 percent of the original 303 certified clients sampled, are projected to achieve a successful adjustment to imports. The chart on page 3a graphically illustrates the TAA Program's 96.4 percent (see chart, all except solid green, page 3a) combined dropout and failure rate.

The table on page 9 contains a list of the client firms (by manufactured product) whose status is summarized above. The schedule also contains the time required for each firm to complete implementation, the number of jobs or sales stabilized or created through TAA Program efforts, and the cost of assisting each firm. The time required to complete implementation begins at the date of certification and ends when both firm and TAAC representatives agree to accept recommended strategy. The times noted are understated because they do not include pre-certification time nor time required to implement the recommendations. Explanations of our status categories immediately follow the table.

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STATUS OF CLIENTS COMPLETING IMPLEMENTATION AT THE NEW ENGLAND, NEW JERSEY, MID-ATLANTIC AND METRO NEW YORK TAACS DURING FISCAL YEARS 1982 AND 1983

	Client	Time Required from Certification to Implementation Completion	Jobs Stabilized or Created by TAA	Sales Stabilized or Created by TAA	Status of Firm	Cost of Assistance [a]
1.	Textile Equipment	3 years, 2 months	-0-	-0-	Declining	$ 243,163 [d]
2.	Fishing Lures	1 year, 6 months	15	$ 400,000	IMPROVING [b]	25,245
3.	Wood Products	2 years, 1 month	-0-	-0-	Bankrupt	80,180
4.	Circuit Boards	1 year, 2 months	-0-	-0-	Sold	64,332
5.	Shoes	1 year, 8 months	-0-	-0-	Declining	44,703
6.	Sweaters	2 years, 10 months	-0-	-0-	Sold	149,585 [d]
7.	Knitted Outerwear	3 years, 2 months	-0-	-0-	Sold	969,084 [e]
8.	Shoe Heels	2 year, 8 months	-0-	-0-	Bankrupt	30,854
9.	Leather Coats	2 years, 10 months	-0-	-0-	Closed	805,218 [e]
10.	Men's Shirts	1 year, 7 months	-0-	-0-	Declining	15,894
11.	Quartz Crystal	2 years, 7 months	-0-	-0-	Declining	53,020
12.	Electronics Parts	3 years, 8 months	-0-	-0-	STABILIZED [c]	39,856 [d]
13.	Flashlights	2 years, 4 months	-0-	-0-	Closed	14,697
14.	Transformers	3 years, 6 months	100	4,000,000	STABILIZED [b]	63,513 [d]
15.	Wood Products	1 year, 10 months	-0-	-0-	Bankrupt	133,202 [d]
16.	Leather Goods	3 years, 3 months	-0-	-0-	Declining	656,497 [e]
17.	Hardware	1 year	-0-	-0-	Declining	34,318
18.	Furniture	1 year, 2 months	-0-	-0-	Closed	39,781
19.	Eyeglasses	2 years, 3 months	-0-	-0-	Importing	56,886
20.	Wire	2 years, 6 months	-0-	-0-	IMPROVING [c]	10,325
21.	Knitted Apparel	2 years, 5 months	10	-0-	Declining	20,920
22.	Visual Displays	2 years, 10 months	42	881,592	IMPROVING [b]	34,571
23.	Trimming	3 years	-0-	-0-	Bankrupt	46,138 [d]
24.	Bluejeans	2 years, 11 months	-0-	-0-	Sold	44,264 [d]
25.	Manhole Covers	2 years	-0-	-0-	STABILIZED [c]	84,935
26.	Sweaters	3 years, 3 months	80	3,100,000	IMPROVING [b]	92,178 [d]
27.	Musical Instruments	1 year, 6 months	-0-	-0-	Importing	30,090
28.	Belts	3 years, 5 months	-0-	-0-	Declining	29,256
29.	Overalls	1 year, 6 months	-0-	-0-	Bankrupt	31,291
30.	Leather Goods	6 years, 2 months	-0-	-0-	Closed	542,356 [e]
31.	Ladies' Shoes	5 years, 10 months	-0-	-0-	Importing	56,268
32.	Women's Apparel	2 years, 5 months	-0-	-0-	Closed	988,956 [e]
33.	Intimate Apparel	3 years, 6 months	-0-	-0-	Sold	108,053
34.	Men's Outerwear	2 years, 11 months	-0-	-0-	STABILIZED [c]	49,704
35.	Hardware	2 years, 10 months	31	930,000	STABILIZED [b]	50,334
36.	Musical Instruments	2 years, 6 months	-0-	-0-	Closed	87,333
37.	Handbag Frames	5 years, 9 months	-0-	-0-	Bankrupt	42,654 [d]
38.	Fur Finishing	1 year, 2 months	-0-	-0-	Declining	22,427

[a] - Cost of assistance includes Federal and client shares, and unpaid principal and accrued interest on defaulted loans. Costs are understated because they do not include OTAA operating costs and certification petition preparation costs which could not be quantified.

[b] - Client stabilization or improvement can be directly attributed to the TAA Program assistance.

[c] - Client stabilization or improvement cannot be attributed to the TAA Program.

[d] - Denotes client received financial assistance in the form of direct or guaranteed Government loans.

[e] - Denotes client defaulted on a loan or loan guarantee.

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As noted in the table on page 9, clients claimed as having completed implementation of an adjustment plan were classified into seven status categories. Evidence to support our classifications include documents obtained from client files, on-site visits to clients' place of business, interviews with clients and TAAC personnel, and Dun & Bradstreet reports. Our definitions of the seven classifications and examples of each follow.

- Closed: six firms (9, 13, 18, 30, 32, 36) were closed and no longer in business. Included in this category are clients who could not be located by TAAC personnel or our auditors either through a site visit or by telephone. Minimal information could be gathered since most of these clients could not be located. Two of the largest costs of assistance, $805,218 for client #9 and $988,956 for client #32, can be attributed to two of these firms which are no longer operational.

- Bankrupt: six firms (3, 8, 15, 23, 29, 37) were or are in the process of being liquidated under Chapter 7 bankruptcy, or are operating under a Chapter 11 reorganization. For example, client #23 has been in Chapter 11 bankruptcy for a year. The firm's president stated that a loan to finance the firm's adjustment strategy required three years to obtain. When the firm applied for the loan, interest rates were 9 percent. By the time the loan was approved and disbursed, interest rates had climbed to 14 3/4 percent. The firm abandoned all Mid-Atlantic TAAC recommendations for adjustment and was subsequently acquired by a larger company.

- Sold: five firms (4, 6, 7, 24, 33) were sold to other organizations. None of the sales could be attributed to TAA Program assistance--i.e., no firm was so improved after receiving TAA Program assistance that another organization bought it as a sound investment or in anticipation of profits. In fact, the buyer of firm #7 acknowledged that the company was purchased for a tax write-off. The company is now in full operation.

- Declining: nine firms (1, 5, 10, 11, 16, 17, 21, 28, 38) continue to decline and are seriously harmed by imports. Included in this category are clients who stated that although TAA Program assistance may have temporarily prevented the firm's demise, sales continue to be lost to imports and the long-term outlook is bleak. For example, the New England TAAC assisted client #1 in designing a "unique" carpet weaving machine which could produce better quality carpet faster than any other machine on the market. The "unique" machine was quickly duplicated by an Italian manufacturer at substantially lower cost. Consequently, the client has accumulated unsold inventory and plant production has decreased 50 percent. In another example, the New England TAAC assisted the installation of a computerized raw materials inventory system for client #5. The client, a subsidiary of a larger corporation, stated that the company would be more profitable if it closed its manufacturing facilities. The parent company maintains the subsidiary because of a company policy not to put people out of work despite lost profits. In still another example, the New Jersey TAAC provided a market study to client #16 which recommended that the company lower sales volume to concentrate on capturing the small customer market. The client implemented the recommendations. Dollar sales have increased but unit sales have decreased from 50,000 to 35,000. More importantly, the client is paying $1.51 a foot for unfinished leather, but could purchase finished leather from Italy for $1.50 per foot. This price differential indicates it is only a matter of time before his remaining domestic market is overtaken by imported goods.

- Importing: three clients (19, 27, 31) have ceased all or most of their manufacturing operations and have resorted to importing similar items for sale at retail in order to stay in business. For example, client #19 has gradually shifted his labor-intensive, eyeglass frame assembly operations from the United States to Mexico. Consequently, employment at the U.S. plant has dwindled from 240 employees to 64. Clients #27 and #31 have ceased all manufacturing and are importing musical instruments and ladies' shoes, respectively. Although the three firms are profitable selling imported products, approximately 520 manufacturing jobs were lost in the transition.

- Stabilized: five clients (12, 14, 25, 34, 35) experienced stabilization of sales, production or employment after receiving TAA Program assistance. Additional evidence was obtained to determine if the stabilization was due to TAA Program assistance or to unrelated factors. For example, client #35 stated, "[The TAA Program] assistance pulled me through the '81 and '82 depression when my domestic competitors were going bankrupt." The TAA Program was given credit for the stabilization of 31 jobs and $930,000 of sales. Client #34 was classified as stabilized, but the TAA Program was not given credit for any jobs or sales because the client did not implement the Metro New York TAAC's recommendation to build a new facility. Stabilization was due to unrelated factors.

- Improving: four firms (2, 20, 22, 26) experienced improvement in sales, production or employment after receiving TAA Program assistance. Further evidence was obtained to determine if the improvement was due to TAA Program assistance or other factors which the program did not address. For example, client #2 stated that the New England TAAC service was excellent and that the assistance had improved production 40 percent in the first year and 20 percent in the second. The TAA Program was given credit for 15 jobs and $400,000 of sales. Likewise, client #26 stated the Mid-Atlantic TAAC did a good job and the TAA loan was absolutely critical to his firm's recovery. The TAA Program was given credit for 80 jobs and $3.1 million of sales. However, client #20 stated the sole reason his sales are up is because the firm was included in a prominent industrial directory. The TAAC's suggestion to hire nationwide sales representatives was abandoned; therefore, the TAA Program was given no credit for stabilizing or creating jobs or sales.

Despite the TAA Program's lack of success, many clients expressed tremendous appreciation and respect for TAAC personnel. We agree that, overall, TAAC personnel were extremely well-qualified both in education and experience, and their dedication was evident. Nevertheless, based on the preceding information, we conclude that clients completing the assistance process had minimal chances of adjusting to import competition and again becoming competitive and self-sustaining. That quality personnel were responsible for implementing this program renders the question of why the TAA Program has failed even more perplexing. That 87 percent of clients completing implementation failed to stabilize or improve--despite quality personnel--suggests that the problem is beyond their control.

Why Has the TAA Program Failed?

Procedural problems aside, the TAA Program cannot succeed because critical components of the import problem are outside the program's control or influence. The TAA Program is intended to provide technical and financial assistance to help individual firms overcome import injuries so that they can again be competitive and self-sustaining. Unfortunately, the concept of improving a firm's operations to combat import competition ignores many adverse, world-wide economic and market conditions which can diminish or negate any gains a firm may achieve. These intractable national and international economic and market conditions which prevent the program's success include:

- o Low labor costs in developing countries which allow foreign manufacturers to produce goods at substantially lower costs than U.S. manufacturers who must pay wages and benefits governed by minimum wage, union negotiations, and a higher standard of living. Foreign government-subsidized industries (for example, direct payments, rebates and tax incentives) which allow foreign manufacturers to produce and sell goods at lesser costs than U.S. manufacturers who must bear all costs of production.
- o The strength of the dollar in international markets which makes imported products cheap in the U.S. (and American exports costly abroad) thus encouraging American consumers to buy imported products.
- o The huge Federal deficit which forces the U.S. Government to compete with private institutions for available credit thus driving up interest rates and reinforcing the strength of the dollar abroad.

In many cases, the program is directed toward saving firms in declining industries which would normally be phased out in an evolving society operating under a free-trade philosophy. With some firms, the TAA Program is fighting the inevitable. In August 1984, the New York Stock Exchange published a study entitled U.S. International Competitiveness: Perception and Reality. The study offers historical data which dispels many myths and misimpressions about the international competitiveness of the U.S. economy:

> History has shown that modern Western economies first concentrate on agriculture, next on heavy manufacturing--the so-called "smokestack" industries--and finally shift toward information and services. The reason for this observable shift is not any immutable law of economics, but rather a result of changing human wants and needs. As the industrial economies have matured they have become more complicated and their people have become more affluent. As a result, consumer demand for personal services (restaurants, medicine, entertainment, repairs) had increased; so has the need for business services ...The natural evolution of a modern economy seems to be toward services...[National economic policy] should be based on the hard truth that in any point in time there will always be declining industries. Though painful in very human terms, such declines are normal ...we must also realize that such changes are a healthy aspect of a dynamic capitalist economy.

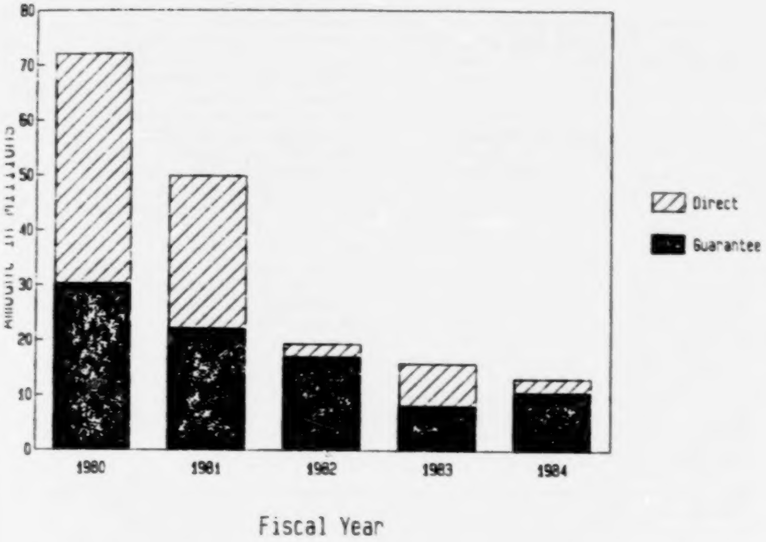
The limited type of assistance (i.e., operational improvements) available to firms under the TAA Program is a temporary reprieve at best. As noted in our analysis of the status of clients completing implementation (pages 9-11), cost reductions and improved marketing strategies, for example, can be quickly overcome by foreign competition when such overwhelming economic and market forces work in concert against U.S. manufacturers.

Previous Audits Document Long-Standing Problems

The effectiveness of the TAA Program has long been questioned. In December 1978, the U.S. General Accounting Office (GAO) issued a report entitled "Adjustment Assistance To Firms Under The Trade Act Of 1974--Income Maintenance Or Successful Adjustment?" The GAO concluded that, under the Economic Development Administration, the TAA Program benefited only a small fraction of firms in need of assistance. The report stated:

> The few firms that have received adjustment assistance benefits have not usually used them to become viable in their own or different industries. Consequently, the program is providing income maintenance, but is not providing for their long-term strength or competitiveness. Of 28 firms which had loans approved as of September 30, 1977, 2 of them had already gone out of business and 8 others were delinquent on loan repayments on June 30, 1978. Perhaps it is unreasonable to expect a successful adjustment (one creating long-term viability) given the fact that the firms are usually in a weakened financial condition when receiving their assistance, their adjustment proposals often do not address their problems, the loan amounts are not large enough for real adjustment, and the drawn-out benefit-delivery process results in further financial deterioration.

TAA PROGRAM LOANS
FY 1980 THROUGH 1984



In December 1981, the Office of Inspector General issued a report on the review of the TAA loan program which identified areas for improvement of loan quality. The report identified the following problems: (1) projections of sales and profits were often grossly exaggerated by loan applicants but were accepted without complete analysis, (2) borrowers were often in worse financial condition than was originally stated in the unaudited financial statements submitted with their loan applications, (3) borrowers used loan proceeds for purposes other than intended in their loan agreements which resulted in the borrowers not having the plant and equipment or working capital to operate efficiently, (4) borrowers' problems on guaranteed loans went undetected because loan servicing by the banks was not as agreed upon, or the prescribed servicing procedures were not specific as to what was to be done, (5) TAA direct loans generally were not adequately serviced by Economic Development Administration personnel, (6) the borrowers' adjustment plans often were not realistic; consequently, the goals seldom were accomplished, and (7) collateral generally was not appraised or its existence verified, which resulted in heavy losses upon liquidation. Most of the problems related to Economic Development Administration management of the program, however, OTAA used the report to institute sweeping changes in loan administration. As a result of tighter restrictions on borrowing, OTAA has significantly reduced the number of Government loans and loan guarantees awarded annually under the TAA Program, as demonstrated in the chart on page 13a.

The application of more stringent loan requirements has severely limited the number of firms qualifying for financial assistance. The loan qualification problem confirms our conclusion that few import-injured firms can be predicted to adjust and therefore be worthy credit risks. A Midwest TAAC business analyst described the problem as follows: "Companies can only get a loan through this program if they cannot go through private financing. There is a very narrow window for firms that cannot get private financing and yet pay back this loan."

Conclusions

The TAA Program has not fostered economic growth and employment in import-injured firms as intended by the Trade Act of 1974. Consequently, American taxpayers realized little benefit from approximately $50 million appropriated for the TAA Program for firms in fiscal years 1982 and 1983. Although the assistance process--such as timeliness of assistance and customer verifications of sales decreases--could be improved with procedural changes, the adverse environment in which the program must operate remains unyielding and overwhelming. We conclude that TAA Program effectiveness is beyond management or legislative improvement action. In this period of huge budget deficits, a Federal subsidy program which successfully aids only 3.6 percent of clients requesting assistance--and has little likelihood of improving--cannot be justified. If the TAA Program is eliminated, the Government could save at least $25 million annually. Since ITA has requested no funds for fiscal year 1986, we are not making any recommendations.

EXHIBIT I

PROGRESS OF MIDWEST TAAC CLIENTS REQUESTING CERTIFICATION IN FISCAL YEARS 1982 AND 1983

Note

In each major stage of assistance achieved (petition, certification, adjustment plan and implementation), clients are classified as either I - Inactive, A - Active or C - Complete as of November 1984.

EXHIBIT I
Page 1 of 8

MIDWEST TRADE ADJUSTMENT ASSISTANCE CENTER
CHICAGO, ILLINOIS
PROGRESS OF FIRMS REQUESTING CERTIFICATION DURING 1982

NATURE OF BUSINESS	CERTIFIED	ADJ PLAN	IMPLEMENT	COMMENTS
1. Planters and Dishes	I			The firm was certified, however, no client file was maintained.
2. Metal Molds	I			The client stated the import problem is larger than can be solved at the firm level.
3. Roller Skates	I			TAAC staff recommended Chapter 11 bankruptcy for the manufacturing segment of the business.
4. Rubber Hose	I			The client stated, "The experience was a poor one at best." The firm wanted financial assistance and Government contract status. The client felt the cost was too high with no guarantee of benefit.
5. Ferrous Alloys	I			TAAC staff stated that the TAA Program "didn't match [the firm's] needs for immediate cash and higher prices, that [they] could not influence tariffs, and that no Trade Act loan would even be made unless the company appeared viable."
6. Ferrous Alloys	I			TAAC staff stated that the firm's financial needs were greater than the TAA Program could provide and that the firm is probably out of business.
7. Readout Devices	I			The client stated the firm was filing Chapter 11 bankruptcy at the time of the assistance request. TAAC staff stated the client did not think the program would produce enough benefit for the effort.
8. Nail Heading Machines	I			The client stated the firm had financial, and cash flow problems and could not pay their cost share. The firm subsequently filed for Chapter 11 bankruptcy.
9. Sportswear	I			TAAC staff stated the firm did not accept the proposal to prepare the adjustment plan.

EXHIBIT I
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MIDWEST TRADE ADJUSTMENT ASSISTANCE CENTER
CHICAGO, ILLINOIS
PROGRESS OF FIRMS REQUESTING CERTIFICATION DURING 1982

NATURE OF BUSINESS	CERTIFIED	ADJ PLAN	IMPLEMENT	COMMENTS
10. Footwear	I			TAAC staff stated the firm was interested in a loan but did not meet assistance criteria.
11. Fasteners & Wire Products	I			Client stated financial assistance--that is, "government handouts"--would not solve the import problem since the economy was bad. The client believes the Government can help by subsidizing labor as foreign countries do.
12. Metal Whistles	I			The firm withdrew from the program because the client wanted an easier solution than the TAA Program entailed.
13. Machine Tools & Drills		I		The client did not want to cost share for more than 25 percent. The firm was sold to a liquidator.
14. Lingerie		I		TAAC staff stated the firm wrote its own adjustment plan and was only interested in a guaranteed loan.
15. Women's Apparel		I		The firm filed for bankruptcy before implementation was begun.
16. Women's Apparel		I		The firm's adjustment plan was rejected.
17. Wood Heaters		I		The firm's adjustment plan was rejected.
18. Hand Tools		A		The firm's adjustment plan is pending approval.
19. Vinyl Garment Bags			A	TAAC staff stated the firm is producing luggage which they previously imported and new lines of luggage have been introduced.
20. Chemicals			A	TAAC staff stated new markets and product applications were introduced and sales have increased.

EXHIBIT I
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MIDWEST TRADE ADJUSTMENT ASSISTANCE CENTER
CHICAGO, ILLINOIS
PROGRESS OF FIRMS REQUESTING CERTIFICATION DURING 1982

NATURE OF BUSINESS	CERTIFIED	ADJ PLAN	IMPLEMENT	COMMENTS
21. Construction Equipment			C	The client stated that sales and employment is declining and the outlook for the company is bad.
22. Woodburning Stoves			C	TAAC staff stated the firm is in Chapter 11 bankruptcy and will probably liquidate. The firm was too late in getting assistance.
23. Woodburning Stoves			I	TAAC staff stated the firm liquidated without bankruptcy.
24. Motor Homes			C	The client stated implementation cost too much and was not appropriate for a small business; "politics" (such as gas shortage) caused the firm's problems. The firm is improving but the client does not consider the improvement long-term.

EXHIBIT I
Page 4 of 8

MIDWEST TRADE ADJUSTMENT ASSISTANCE CENTER
CHICAGO, ILLINOIS
PROGRESS OF FIRMS REQUESTING CERTIFICATION DURING 1983

NATURE OF BUSINESS	CERTIFIED	ADJ PLAN	IMPLEMENT	COMMENTS
1. Machine Tools	I			The client elected not to continue after discovering the TAA Program could not provide an easy answer.
2. Machine Tools	I			The client stated that the TAA Program procedures were too cumbersome and financing was unattractive.
3. Machinery	I			The firm's adjustment plan is suspended because the firm entered Chapter 11 bankruptcy in November 1983 and an adjustment plan cannot be written until the bankruptcy is resolved.
4. Machinery	I			The firm's adjustment plan was started but never completed. Company officials and TAAC staff could not agree on a strategy.
5. Automotive Parts	I			No one at the company was familiar with the TAAC.
6. Drill Bits	I			The client stated he never found out how the program could help him.
7. Wire Fabric	I			The client was not sold on the idea of a diagnostic analysis because he thought it was a waste of time and money.
8. Casters	I			The client stated the more they became involved with the TAA Program, the more they became convinced it could not help them.
9. Foundry	I			An adjustment plan was never finalized because of a mismatch between what the company needed and the program's capabilities. The company wanted a loan for acquisition.
10. Forging	I			An adjustment plan was completed, but not submitted to OTAA. The company is profitable and they decided not to ask for implementation assistance. The client thought the financial assistance available was not worth the effort the company would have to go through.

EXHIBIT I
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MIDWEST TRADE ADJUSTMENT ASSISTANCE CENTER
CHICAGO, ILLINOIS
PROGRESS OF FIRMS REQUESTING CERTIFICATION DURING 1983

NATURE OF BUSINESS	CERTIFIED	ADJ PLAN	IMPLEMENT	COMMENTS
11. Steel Forging	I			The client stated he just never "picked up on it [the TAA Program]" because he was more concerned with other things than the trade adjustment assistance program.
12. Die-casting	I			The client stated that after working with TAAC, he got the impression that he could not get any real assistance from them.
13. Steel Tubes and Casings	I			The adjustment plan is in process but not complete. The company is in bankruptcy and a strategy cannot be formulated until the company has stabilized.
14. Fasteners	I			The client informed TAAC staff that he was going to postpone efforts for a while because he does not want to spend the money now, though he is still considering it for the future.
15. Apparel	I			The adjustment plan was halted because TAAC staff and company officials could not agree on strategy. The company wanted a large loan which TAAC did not agree with.
16. Apparel	I			The firm was transferred to the Rocky Mountain TAAC when the company moved its headquarters to New Mexico.
17. Shoes	I			TAAC staff told this company a loan would hurt their financial condition more than it would help.
18. Electronics	I			A letter from the company president stated that he is already doing everything that can be done to counteract import competition, therefore the firm requires no further assistance.
19. Electronics	I			TAAC recommended that the firm liquidate which was subsequently accomplished.
20. Furniture	I			The firm was transferred to the Great Lakes TAAC.

EXHIBIT 1
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MIDWEST TRADE ADJUSTMENT ASSISTANCE CENTER
CHICAGO, ILLINOIS
PROGRESS OF FIRMS REQUESTING CERTIFICATION DURING 1983

NATURE OF BUSINESS	CERTIFIED	ADJ PLAN	IMPLEMENT	COMMENTS
21. Pianos	I			The company was concerned about the unfavorable publicity associated with government assistance. They responded to the publicity by stating that they have made the necessary adjustments to turn the company around and have no need for the program.
22. Cutlery	I			The client thought consulting services could not make the firm import competitive because the firm needed immediate assistance but the TAA Program took too long.
23. Tanning	I			The client stated he found a better Government program. The Department of Housing and Urban Development financed the move of his business from Milwaukee to Sheboygan. He added he was also somewhat scared off by the way TAAC wanted to get involved in his business.
24. Granite Quarry	I			The company is in Chapter 11 bankruptcy and cannot obtain TAAC's assistance without court approval. The client believes it is too late and he will lose his business.
25. Beekeeping	I			The firm stopped manufacturing about the time they were certified. Currently, their only interest is in non-manufacturing.
26. Foundry		I		The company is in bankruptcy and TAAC staff do not expect it to survive.
27. Weather Instruments		I		The firm's adjustment plan was rejected because OTAA determined the company was not viable.
28. Fasteners		A		The adjustment plan is in process, but TAAC staff stated the company seems to be "dragging its feet."
29. Wine		A		The firm's adjustment plan is still in process. It was delayed because of a difference of opinion between TAAC staff and company officials concerning strategy.

EXHIBIT A
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MIDWEST TRADE ADJUSTMENT ASSISTANCE CENTER
CHICAGO, ILLINOIS
PROGRESS OF FIRMS REQUESTING CERTIFICATION DURING 1983

NATURE OF BUSINESS	CERTIFIED	ADJ PLAN	IMPLEMENT	COMMENTS
30. Machine Tools		I		The client elected not to continue because conditions in the plan acceptance letter were too restrictive. OTAA required a 50 percent cost share and a reduction in inventory.
31. Motorcycles		I		Client stated that the TAA Program required personal guarantees on a loan and; his company would not agree to this.
32. Steel Forging		I		The client stated they came to the conclusion that a consultant really was not going to help them and there would be no real tangible results.
33. Office Copiers		I		The client stated that the cost of waiting became prohibitive. He added the TAAC took way too long to do anything, and by the time any progress was made it was too late to help his firm.
34. Machine Tools			A	Implementation is in process.
35. Machinery			C	The company decided to suspend the project after receiving $7,000 and $160,000 approved implementation assistance because budget priorities did not permit further investment.
36. Engines			C	TAAC performed a marketing study and the results were not encouraging.
37. Die-casting			A	Implementation is in process.
38. Electroplating			A	The first two phases of implementation are complete. The third phase is delayed pending a possible acquisition of the company.
39. Hospital Supplies			A	Implementation is in process.

EXHIBIT I
Page 8 of 8

MIDWEST TRADE ADJUSTMENT ASSISTANCE CENTER
CHICAGO, ILLINOIS
PROGRESS OF FIRMS REQUESTING CERTIFICATION DURING 1983

NATURE OF BUSINESS	CERTIFIED	ADJ PLAN	IMPLEMENT	COMMENTS
40. Electronics			C	The client is pleased with TAA Program results.
41. Stoneware			C	The company has decided to cease operations and liquidate.

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
ASSISTANT SECRETARY FOR TRADE DEVELOPMENT
Washington, D.C. 20230

MEMORANDUM FOR
Assistant Inspector General
for Auditing

FROM:
Assistant Secretary
for Trade Development

SUBJECT: Draft Report on Inspector General Review of the Trade Adjustment Assistance Program

I must express my disappointment concerning the draft report prepared by your office on the review of the Trade Adjustment Assistance Program. I had been expecting a substantive, professional report that used generally acceptable methodology and statistical techniques to present a meaningful analysis of the program's operations, and practical recommendations as to how the program could be improved, as most previous products from the DOC IG's Office have been. What I received was a report that was disorganized, based on a confused and, in our opinion, an indefensible methodology which utilized data that was incompatible and unsupportable. Furthermore, this report made no substantive recommendations as to how to improve the program, and made broad generalizations which demonstrated an apparent misunderstanding of the goals and objectives of the firm Trade Adjustment Assistance Program and how it operates. I find it of particular concern that your audit team, at times up to seven in number, could spend six months developing, conducting, and reporting on this review and come up with a product of questionable value.

Perhaps the critical tenor of the report is caused by the factual errors in it. As A. Conan Doyle's earlier investigator put it, "It is a capital mistake to theorize before one has data. Insensibly one begins to twist facts to suit theories, instead of theories to suit facts."

The review presented in your draft report is flawed to the extent that I feel that I must summarize my concerns in this cover memo before detailing the specific problems. Of major concern are:

o The sample firm universes selected for the review were not representative of the program and were not consistent. Data developed from one unrepresentative sample was applied to another unrepresentative sample and used to make projections about total program performance. The data could therefore reveal little of substance about the program.

- The approach taken by the IG staff as they undertook this review was disorganized. The early shifts in samples selected, the changes in time periods studied, and the inconsistencies in data requested from TAACs and firms during the various site visits clearly affected the integrity of the data collection and subsequent analysis.

- The descriptions in the report of how the program works reveal a basic misunderstanding of the program. It would appear that while your staff was present at discussions of the program in Washington and at the TAACs, they failed to grasp some essential facts about the program.

- The report implies that all firms "entering the program" are somehow expected to complete the entire TAA adjustment process. It has never been the aim or the desire of this program to give complete assistance to all firms entering the system. Rather, we have spent considerable time and effort establishing ways to identify those firms with a meaningful chance to recover and to eliminate those firms that cannot really benefit from program assistance. This is not an entitlement program for every firm that feels it has been hurt by imports. In addition, not all firms need to go through the entire TAA adjustment process to receive meaningful assistance and recover. Many TAAC clients receive all the help they need during the Post-Certification assistance phase and proceed to implement their adjustment strategies on their own, without additional TAA Program resources.

- Terminology was misused throughout the report. For example, descriptions of why "certified" firms dropped-out of the program included explanations that could only be true of firms that had never been certified. We therefore are uncertain as to the real status of firms described in the report. Another example is the phrase "entered the program", which is used to describe the large group of firms upon which the performance percentages are based. It is hard to tell how many of these firms ever had a substantive involvement in the program and therefore the percentages used in the report are questionable. "Entering the program", which could have several meanings, is not defined.

- There is no explanation of what parameters were used to determine if firms completing implementation assistance were improving, stabilized, or declining. This makes the report's assessments of the firms' adjustments inconclusive in evaluating program performance.

- The report's title is inappropriate since it suggests a predisposition on the reviewers' part and prejudges the objectivity of anyone reading the report. We suggest that the report's title should be "Review of the Trade Adjustment Assistance Program for Firms."

- The conclusions of the IG report states that during fiscal years 1982 and 1983, the cost of the TAA Program for firms was $50 million. This is not accurate since only $46.5 million of TAA funds were provided for firm assistance during this two-year period. Furthermore, the majority of the $10.4 million for direct loans will be repaid, and much of the $10.6 million put in the guaranteed loan reserve account will probably not be used.

Attached you will find a detailed analysis of our concerns with the methodology used to conduct this program review, as well as an item-by-item discussion of the incorrect or misleading statements contained in the report itself. As you will see, both of these documents are extensive and reveal the specifics on which our concerns on the report are based. I would recommend that your staff rewrite the report.

Attachments

ATTACHMENT A

REVIEW OF METHODOLOGY DOC IG REPORT ON THE TRADE ADJUSTMENT ASSISTANCE PROGRAM FOR FIRMS

The study's methodology is hard to follow, poorly documented, inconsistent, and suggests that the reviewers did not understand the goals and objectives of the TAA Program and how it operates. Furthermore, a thorough review of the methodology raises the question of whether this was a fair and unbaised appraisal of the TAA Program. The following points highlight our concerns:

- While the IG team visited six TAACs (New England, New Jersey, Mid-Atlantic, Southeastern, Metro N.Y.,and Mid-West), the sample of 303 firms entering the program came from four TAACs (Mid-West, Mid-Atlantic, New Jersey and New England); and the sample of 38 firms completing implementation assistance included firms from a different set of four TAACs (New England, New Jersey, Mid-Atlantic and Metro N.Y.). There is no explanation offered why the Metro N.Y. TAAC is excluded from the first sample, why the Mid-West TAAC is excluded from the second sample, or why the Southeastern TAAC is excluded from both samples.

- The statement on page 4 of the report that the TAA Program "ignores many current and world-wide economic and market conditions" is simply not true. The TAA Program's goal is to help viable firms adjust by reacting to world-wide economic conditions. Firms are not helped to continue what they were doing, but to develop and implement a recovery strategy that capitalizes on a firm's strengths by identifying new product lines, new marketing niches and/or reducing production costs so it can compete. The TAACs clearly recognize that a high proportion of firms requesting trade adjustment assistance will be unable to implement such a recovery strategy, and these firms are screened out.

- The methodology examines 303 firms "entering the TAA Program" -- but entering the program is not defined. The chart on page 3a identifies these 303 firms as certified, but from the reasons given on page 5 concerning why firms drop-out, it is clear that many of these firms have in fact decided not to submit certification petitions, or submitted petitions and were determined not eligible. During the two-year period reviewed, the four TAACs included in the 303 sample had a total of 249 client firms certified. Perhaps a more constructive analysis of certification would have included a discussion of the percentage of firms in the 303 sample that submitted certification petitions and what percent were certified.

- The narrative on page 4 criticizes the TAA Program for a high drop-out rate. However, TAA is not an entitlement program, but rather an adjustment program designed to help a select group of firms through combined Federal, firm and private funds to become or remain competitive. The program screens out firms that are financially weak, or have management unwilling to make necessary changes, or cannot develop a strategy to overcome the overwhelming adverse economic and market conditions which creates U.S. import problems. In addition, the 72.6 percent drop-out rate is inaccurate since, as discussed above, it includes firms that were not certified, or according to the Trade Act of 1974 criteria, were ineligible to receive trade adjustment assistance. It is improper to classify such firms as drop-outs.

- The method used (pages 4 and 5) to determine why firms choose not to participate in the program is questionable. Detailed data for only one TAAC (Mid-West) was presented. We do not believe the Mid-West TAAC is representative since during the 1982-1983 period it had the highest number of inactive clients of all TAACs. A statement is made that 48 out of 65 Mid-West 1982 and 1983 certified firms dropped-out of the TAA Program before reaching implementation. However, the reasons given by these firms concerning why they dropped-out indicate that many of these firms did not even submit certification petitions, and therefore could not have been certified. Furthermore, we question the validity of relying solely on a firm's response for the reasons it dropped-out. A firm that was screened out by the TAAC, since it was considered not viable, or had management unwilling to make necessary changes, may not be objective with their comments on the TAA Program.

- The report states that eligibility requirements contributed to the 24.1 percent of clients that dropped-out of the program due to disabling financial conditions. However, firms do not have to be mortally wounded by imports to become certified -- but must demonstrate that increased imports contributed importantly to their sales or production and employment declines. Our experience is that many of the certified firms have the ability to become strong, viable companies.

- The statement on page 7 of the report that the review team would determine "whether the success of the TAA Program would improve dramatically if such corrective actions proved effective in allowing more firms to reach the implementation phase" reveals a basic misunderstanding of the program's intent.

  Success of the TAA Program should depend upon the number of firms that recover, not the number that enter implementation assistance. Many firms achieve successful adjustment by implementing recommendations in the Diagnostic Survey and Adjustment Proposal on their own, without even beginning implementation assistance. Many of the firms classified as "drop-outs" by this report have in reality received all the assistance they needed under the program to effectuate their recovery. This important aspect of the program is not considered in the report's methodology.

- The sample used to determine how assisted firms benefit from the program, is unrepresentative of the TAAC Program's client caseload. Half of the sample is comprised of firms in apparel and leather industrial classifications, while during fiscal years 1982 and 1983, only 30 percent of the firms assisted by the TAACs were in these industrial sectors. Based upon our experience, firms in labor intensive industries, such as apparel and leather, find adjustment more difficult. In addition, 37 percent of the sample is comprised of Trade Act loan recipients, while less than 5 percent of the firms being assisted by the TAACs receive a Trade Act loan to implement their adjustment strategy. In general, Trade Act loan recipients are the weaker TAA client firms since they are unable to obtain private financing to implement their strategies. The Trade Act loan recipients included in this sample were primarily EDA loans which were made under policies that have long since been abandoned. We would expect the Trade Act loans made under ITA's improved standards to show a higher success rate.

- The reviewers' basis for measuring adjustment appears to be selective. First of all, only stabilized or created employment and sales are considered. We agree that the firm's profit level is a key factor -- especially when some adjustment strategies call for a reduced level of operations or concentration on a specific market or product line to enhance a firm's profit level. A firm with increasing sales and employment can only remain in operation in the long-term if it is profitable. However, we do not agree that two years after completion of implementation assistance is sufficient time to make the determination if a firm has adjusted. A firm's adjustment strategy is always a joint TAAC and firm effort, and often the firm is responsible for completing actions started which may occur over a multi-year period. For example, technical assistance may be provided to develop a marketing approach to penetrate a new market and following completion of the technical assistance, the firm will begin to establish a new sales network, revamp its product line and/or develop new products. Another example would be a firm that receives technical assistance to adapt new state-of-the-art manufacturing technologies. The technical assistance may advise the firm what new machinery to purchase and how to redesign its plant layout. However, following the completion of the implementation assistance, the firm is required to purchase the new machinery, install it, train the workers to use it and get the bugs out. In both of these examples, it may be years before the benefits of the technical assistance can be measured in terms of improved financial indices. In most cases, two years is too short a period to measure results and to determine if a firm has adjusted or not. Furthermore, in some cases a firm's adjustment may require a scaled-down operation -- fewer employees and less sales volume.

- The definition of the status of the firms listed in the table on page 9 of the report is questionable. In our opinion, the classification of firms into a grouping labeled "Firms That Did Not Adjust" makes some invalid assumptions. The following points highlight our concerns with these classifications.
  - A bankrupt firm is not always a failure--sometimes bankruptcy allows a firm to work out its debts, continue,and work itself into a profitable operation. Of the six firms cited, the report provides only one example in this category, so we cannot tell if the other five firms in this classification can recover or not.
  - The draft report assumes that all "sold" firms are failures. Sometimes successful adjustment will result in an assisted firm being acquired by another entity. At times finding a buyer for a firm is an element of a recovery strategy.
  - Declining firms are also considered failures in the draft report. However, declining sales and employment, two to three years, following completion of implementation assistance does not mean that the firm will not recover. As discussed earlier, the results of implementing an

adjustment strategy may take several years. In fact,the examples given in the report of client #16, a leather goods producer, implemented a strategy of lowering sales volume to concentrate on capturing a smaller "customized" market. The firm's dollar sales have increased, but unit sales have decreased. This firm appears to have adjusted since it is producing fewer units, but has a higher profit margin. If it begins purchasing finished leather from Italy, the firm will be even in a stronger position.

- Of five firms with stabilized sales, the TAA Program is given credit for jobs and sales for only two of these firms. One firm (#12), which the TAA Program was given no credit for, is an electronic parts producer. According to the NJ TAAC this firm had employment of 17 and sales of $900,000 when it first contacted the TAAC, and has employment of 130 and sales of $1.4 million currently. With TAAC assistance, the firm developed overseas markets in Italy and Far Eastern countries for solar panels which have sold well. This firm has also opened up a new plant. We therefore do not agree with the IG report's conclusion that this firm's increases were not a result of TAAC assistance. Firm #34 was cited in the report as an example of a stabilized firm for which the TAA Program was not given credit. However, this men's outerwear producer received TAAC funded technical assistance on how to lower production costs and to establish new markets. The firm received private financing to implement this strategy. Although the TAAC did not arrange this loan, the TAAC Diagnostic Survey and Adjustment Proposal helped the lender decide to make the loan. In 1982, this firm had sales of $6.2 million, 260 employees and after tax losses of $258,000. The firm currently has 186 employees and profits of $70,000 after taxes in 1984. The firm's strategy was to consolidate operations, increase profitability, and purchase new machinery. Reviewing this firm's situation leads us to the conclusion that this is a successful example of technical assistance for which both the TAAC program and firm deserve credit.

- Of the five firms listed as improving, the draft report gave the TAA Program credit for four of them. The reason stated for not giving the TAA Program credit for the fifth client is because the firm stated that the sole reason for the sales increase was the firm's listing in a prominent industrial directory. It appears improper to unquestioningly accept the firm's statement as the sole reason for its recovery. The report does not disclose what TAA Adjustment Proposal recommendations were made or implemented for this firm and what role they played in its recovery.

- The statement that 87 percent of clients completing implementation assistance failed to stabilize or improve is suspect. First, the percentage is computed wrong and by the report's own figures should be 76 percent. Second, we do not find the sample used to be at all representative of TAAC client firms. Third, we do not consider this statement a proper conclusion from the sample reviewed since the time period is too short to properly measure adjustment, the assumptions made in classifying firms are illogical, and the firm's profit level is not considered.

- The practice of projecting the number of firms that will receive assistance, but will fail to recover from the 38 firm sample to the 303 firm sample seems to run counter to established research methodology and statistical techniques. Percentages based upon an unrepresentative universe of firms from a defined time period are applied to firms that have not dropped-out of the program. Little attempt was made to control any variables which could have affected the study. For example, the report does not mention that the 38 firms sample was covering a period (1982-1983) when the U.S. economy was in the throes of its worst recession since the Great Depression -- so it was not always foreign competition that adversely affected client firms.

- The report states that it takes too long for completed implementation assistance. The 38 firm sample had an average completion time from certification to implementation completion of 2 years 3 months for firms receiving technical assistance only, and 3 years 5 months for recipients of technical assistance and Trade Act loans. This does not appear to be excessive time to implement detailed recovery strategies.

- The report does not address the benefits to a firm in the development of a Diagnostic Survey and/or Adjustment Proposal, even if the firm does not use TAA resources to implement the Adjustment Proposal. Many client firms have never received an outside analysis of their operations, nor gone through the process of developing a business plan. When a TAAC conducts a Diagnostic Review of the firm and presents to management its findings, it is often the first time the management team has had an independent evaluation of the company's complete operations. Even those firms which have had outside reviews of their operations and/or business plans find the TAAC-prepared Diagnostic and Adjustment Proposal of significant value. The Diagnostic's identification of problem areas is of special interest to managers who are often so busy struggling with everyday survival issues that they have not been able to focus on less urgent, yet broad, strategic matters. Company management is often able to use the Diagnostic to address important basic problems without additional assistance from the TAAC. Those firms that continue with the program through the development of an Adjustment Proposal receive even greater benefit. After receiving what is often their first comprehensive view of their firm's operations in the Diagnostic phase, management is involved in the development of an Adjustment Proposal (business plan) that shows them how to improve their company in order to compete more effectively in the marketplace. This proposal identifies the steps to be taken, the resources required, and the proper timing for the elements of the company's adjustment. At this point, it is common for many firms to implement their Adjustment Proposals without further TAA Program assistance. Obviously, the TAA Program plays a key role in the adjustment efforts of firms in both these categories even though they don't receive post-approval Trade Adjustment Assistance.

- The statement on page 12 that the program is directed towards saving firms in declining industries which would normally be phased out, and that the TAA Program is fighting the inevitable, is not true. TAA client firms represent a broad array of industrial sectors. We certainly hope that it is not inevitable for these industries to be phased out. The TAA Program does not fight the inevitable -- rather those firms with little hope are not helped, and only those firms with a viable recovery strategy receive implementation assistance.

- Considering the report's flawed methodology, it is not surprising that when we analyze the results of the 38 firm sample we reach different conclusions. Based upon the table on page 9, the 38 firm sample resulted in 278 jobs stabilized or created, and $9.3 million of sales stabilized or created for which the IG report gave the TAA Program credit. The $9.3 million of sales and 278 jobs does not appear to be a bad rate of return for the one-shot $5.9 million cost of assistance for the firms listed on page 9. Over the next 5-15 years this $5.9 million investment will be returned many times over in tax revenues, as well as the multiplier effect it will have on the economy. We believe the real rate of return is considerably higher. As stated earlier, the sample is unrepresentative and concentrates on firms less likely to be successful. The methodology does not give credit for all adjustment due to measuring a short-run period, ignoring those firms that adjust without complete implementation assistance, and the unsupported assumptions on how to measure and credit success. Furthermore, the cost of assistance is overstated since it includes the firm's share of the cost, as well as the cost of loans, many of which will be repaid to the Government.

Attachment B

DETAILED ANALYSIS OF DOC IG REPORT ON THE TRADE ADJUSTMENT ASSISTANCE PROGRAM FOR FIRMS

This analysis will include an item-by-item description of the incorrect or misleading statements contained in the review conducted by the Office of Inspector General of the Trade Adjustment Assistance Program for firms. These descriptions are kept purposefully short in order to avoid duplication of points covered in the overview memo and methodology review.

Page 1:

Paragraph 1; The description of activities conducted by the Department of Commerce under the Trade Act of 1974 neglects to mention the Industry Technical Assistance Program which is a significant part of the Trade Adjustment Assistance (TAA) Program.

Paragraph 2; Technical assistance (TA) for firms is supplied through the Trade Adjustment Assistance Centers (TAACs), but the Industry TA program is conducted directly out of the Office of Trade Adjustment Assistance (OTAA) in Washington. It is therefore incorrect to state that TA is furnished exclusively by the 13 TAACs.

Paragraph 3; First bullet: Certification requirements do not state that firms can be certified only if employment has decreased; firms can also be certified if they can show a partial separation of workers, or a threat of imminent unemployment or underemployment. Furthermore, the certification process is not described accurately. The firm does file a petition. If, upon review, the petition is acceptable, the Certification Division institutes an investigation to, among other things, verify the data submitted by the firm and to develop other information relative to the determination, such as whether or not like or directly competitive imports are increasing absolutely or relative to domestic production. The telephone customer interviews are usually used as an important means of establishing the necessary linkage between the increasing imports and the declines that may exist in the firm, but other means are also used.

Second bullet: Preparation of the Diagnostic Survey and Adjustment Proposal often include the use of outside expert consultants if TAAC personnel do not have the required experience/expertise.

Page 2:

First bullet: The statement that the phrase "Implementation assistance" is misleading and the examples purported to show why it is misleading demonstrate that the reviewers had a basic misunderstanding of the program and what can be done with TAA technical and financial assistance. All of the activities the report states cannot be done with TAAC assistance are, in reality, eligible for assistance under the program. In fact, they have been done under the program. Implementation assistance is a shared firm and TAAC activity and Adjustment Proposal milestones must deal with all of the firm's problems, some of which are implemented by the firm without any Technical Assistance resources.

Paragraph 2; The statement is made that OTAA has no statistics on the number of firms that have successfully adjusted to imports. But the report does not mention that an OTAA-funded consultant study, which is scheduled for completion in late Spring 1985, is evaluating the adjustment process for firms.

Page 3:

Paragraph 1; It is somewhat speculative for the IG staff to suggest reasons why Congress voted to continue the TAA Program in spite of Administration proposals to eliminate it.

Paragraph 2; Third bullet: The reasons for looking at clients in six TAACs and then using data from only four of them are not explained. The problems with the client samples used are covered in detail in the critique of the review methodology.

Paragraph 3; Lines 2-3: The statement of the time frame during which this review was conducted is not correct. Our office was already being interviewed relative to this study in August and the report was not issued in draft form until February.

Lines 3-5: It is hard to believe that this audit was conducted in accordance with accepted standards, given the nature of data collection and analysis.

Page 3a:

As discussed in the methodology review, this chart is inconsistent with the narrative, since the 303 firm sample includes non-certified firms.

Page 4:

Paragraph 1; Lines 1-3: This statement is unfounded The TAA Program is of great help to a large percentage of those firms that receive substantive help under the program.

Lines 6-9: The TAA Program approach to helping trade-impacted firms does not ignore economic and market conditions that can affect firm performance. The exact opposite is true; the Diagnostic and Adjustment Proposal process are designed specifically to assess a firm in the context of existing external realities, as well as internal conditions. The strategy developed for a firm's recovery is designed to help the firm recover within the overall macroeconomic context.

Lines 9-10: While we recognize that there are deficiencies in the program, we object to the use of the term "serious" to describe them, expecially when so little was done in the report to identify practical problems and realistic solutions to them.

Lines 10-12: There is no useful definition given as to what the phrases "entering the TAA program" and "receiving any constructive assistance" mean. Later discussion in the report makes it clear that many of the firms included in the universe of 303 firms "entering the program" had no real involvement in the TAA Program, while many of the firms characterized as not "receiving any constructive assistance" had, in reality, been helped to adjust by the TAA Program.

Lines 12-13: The discussion of firms projected to "receive assistance but will fail to recover" has little basis in fact. As the methodology discussion pointed out, it is at this point that percentages based on a completely different unrepresentative universe of firms from a different time phase of the program are applied to the firms that the report says have not "dropped-out" of the program. Thus these projections are basically unsubstantiated and misleading when making any assessments about the TAA Program. In addition, later statements in the review report make it clear that some of the firms classified as having failed to recover have successfully implemented their recovery strategies.

Lines 14-16: The statement that only 11 of the 20 firms projected to recover will be creditable to TAA Program assistance is arbitrary. It becomes clear in the back-up material for the report that the IG staff assessment of what is or isn't attributable to the TAA Program is based more on innuendo than on meaningful standards.

Lines 16-19: The statement that the chart on page 3a depicts the "program's staggering failure to improve or stabilize import-injured firms" is not based on a defensible methodology.

Lines 19-26: Conclusions based on such faulty evidence are meaningless.

Paragraph 2: Lines 1-5: These statements indicate that the IG reviewers believed that firms had to complete full implementation assistance programs before they could benefit from participation in the TAA Program. As addressed in the methodology discussion, this is not an accurate assumption.

Lines 5-9: The question raised as to why firms eligible for the program would "drop-out" in such large numbers reveals two more basic errors in the IG review. First, the examples provided concerning why firms had "dropped-out" made it clear that a substantial portion of them were not eligible for assistance under the program. Second, as pointed out in the methodology section, many of the firms they classify as "drop-outs" have in reality received all the assistance they needed under the program to effectuate their recovery.

Paragraph 3; Lines 1-3: The use of the phrase "chose not to participate" is misleading. As was already pointed out, many of these firms were clearly not eligible for substantive assistance under the program and therefore no choice on their part was possible. In addition, as already discussed, many of the firms classified as "drop-outs" were really firms that had completed successful adjustments using TAA Program assistance.

Lines 5-6: To talk about the percentage of "certified" firms that "dropped-out", when the examples show that not all of the firms in the sample were certified and many did not "drop-out" by choice, demonstrates the weakness of the analysis.

Page 5:

Paragraph 1; No explananation of the basis for the analysis of reasons firms "chose" not to participate is given. It appears that the IG staff took what in many cases could have been self-serving ex-client explanations on face value without checking to see if there may have been other factors involved in these "drop-outs." Knowing the historical TAA Program experience in this area, it is hard to believe that the IG staff did not come across firms that they thought had "dropped-out," when in reality the firms had completed adjustment efforts without TAA Program assistance in the implementation phase.

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
ASSISTANT SECRETARY FOR TRADE DEVELOPMENT
Washington, D.C. 20230

MEMORANDUM FOR
Assistant Inspector General
for Auditing

FROM:
Assistant Secretary
for Trade Development

SUBJECT: Draft Report on Inspector General Review of the Trade Adjustment Assistance Program

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The study's methodology is hard to follow, poorly documented, inconsistent, and suggests that the reviewers did not understand the goals and objectives of the TAA Program and how it operates. Furthermore, a thorough review of the methodology raises the question of whether this was a fair and unbaised appraisal of the TAA Program. The following points highlight our concerns:

- While the IG team visited six TAACs (New England, New Jersey, Mid-Atlantic, Southeastern, Metro N.Y.,and Mid-West), the sample of 303 firms entering the program came from four TAACs (Mid-West, Mid-Atlantic, New Jersey and New England); and the sample of 38 firms completing implementation assistance included firms from a different set of four TAACs (New England, New Jersey, Mid-Atlantic and Metro N.Y.). There is no explanation offered why the Metro N.Y. TAAC is excluded from the first sample, why the Mid-West TAAC is excluded from the second sample, or why the Southeastern TAAC is excluded from both samples.
- The statement on page 4 of the report that the TAA Program "ignores many current and world-wide economic and market conditions" is simply not true. The TAA Program's goal is to help viable firms adjust by reacting to world-wide economic conditions. Firms are not helped to continue what they were doing, but to develop and implement a recovery strategy that capitalizes on a firm's strengths by identifying new product lines, new marketing niches and/or reducing production costs so it can compete. The TAACs clearly recognize that a high proportion of firms requesting trade adjustment assistance will be unable to implement such a recovery strategy, and these firms are screened out.
- The methodology examines 303 firms "entering the TAA Program" -- but entering the program is not defined. The chart on page 3a identifies these 303 firms as certified, but from the reasons given on page 5 concerning why firms drop-out, it is clear that many of these firms have in fact decided not to submit certification petitions, or submitted petitions and were determined not eligible. During the two-year period reviewed, the four TAACs included in the 303 sample had a total of 249 client firms certified. Perhaps a more

constructive analysis of certification would have included a discussion of the percentage of firms in the 303 sample that submitted certification petitions and what percent were certified.

- The narrative on page 4 criticizes the TAA Program for a high drop-out rate. However, TAA is not an entitlement program, but rather an adjustment program designed to help a select group of firms through combined Federal, firm and private funds to become or remain competitive. The program screens out firms that are financially weak, or have management unwilling to make necessary changes, or cannot develop a strategy to overcome the overwhelming adverse economic and market conditions which creates U.S. import problems. In addition, the 72.6 percent drop-out rate is inaccurate since, as discussed above, it includes firms that were not certified, or according to the Trade Act of 1974 criteria, were ineligible to receive trade adjustment assistance. It is improper to classify such firms as drop-outs.

- The method used (pages 4 and 5) to determine why firms choose not to participate in the program is questionable. Detailed data for only one TAAC (Mid-West) was presented. We do not believe the Mid-West TAAC is representative since during the 1982-1983 period it had the highest number of inactive clients of all TAACs. A statement is made that 48 out of 65 Mid-West 1982 and 1983 certified firms dropped-out of the TAA Program before reaching implementation. However, the reasons given by these firms concerning why they dropped-out indicate that many of these firms did not even submit certification petitions, and therefore could not have been certified. Furthermore, we question the validity of relying solely on a firm's response for the reasons it dropped-out. A firm that was screened out by the TAAC, since it was considered not viable, or had management unwilling to make necessary changes, may not be objective with their comments on the TAA Program.

- The report states that eligibility requirements contributed to the 24.1 percent of clients that dropped-out of the program due to disabling financial conditions. However, firms do not have to be mortally wounded by imports to become certified -- but must demonstrate that increased imports contributed importantly to their sales or production and employment declines. Our experience is that many of the certified firms have the ability to become strong, viable companies.

- The statement on page 7 of the report that the review team would determine "whether the success of the TAA Program would improve dramatically if such corrective actions proved effective in allowing more firms to reach the implementation phase" reveals a basic misunderstanding of the program's intent.

  Success of the TAA Program should depend upon the number of firms that recover, not the number that enter implementation assistance. Many firms achieve successful adjustment by implementing recommendations in the Diagnostic Survey and Adjustment Proposal on their own, without even beginning implementation assistance. Many of the firms classified as "drop-outs" by this report have in reality received all the assistance they needed under the program to effectuate their recovery. This important aspect of the program is not considered in the report's methodology.

- The sample used to determine how assisted firms benefit from the program,is unrepresentative of the TAAC Program's client caseload. Half of the sample is comprised of firms in apparel and leather industrial classifications, while during fiscal years 1982 and 1983, only 30 percent of the firms assisted by the TAACs were in these industrial sectors. Based upon our experience, firms in labor intensive industries, such as apparel and leather, find adjustment more difficult. In addition, 37 percent of the sample is comprised of Trade Act loan recipients, while less than 5 percent of the firms being assisted by the TAACs receive a Trade Act loan to implement their adjustment strategy. In general, Trade Act loan recipients are the weaker TAA client firms since they are unable to obtain private financing to implement their strategies. The Trade Act loan recipients included in this sample were primarily EDA loans which were made under policies that have long since been abandoned. We would expect the Trade Act loans made under ITA's improved standards to show a higher success rate.

- The reviewers' basis for measuring adjustment appears to be selective. First of all, only stabilized or created employment and sales are considered. We agree that the firm's profit level is a key factor -- especially when some adjustment strategies call for a reduced level of operations or concentration on a specific market or product line to enhance a firm's profit level. A firm with increasing sales and employment can only remain in operation in the long-term if it is profitable. However, we do not agree that two years after completion of implementation assistance is sufficient time to make the determination if a firm has adjusted. A firm's adjustment strategy is always a joint TAAC and firm effort, and often the firm is responsible for completing actions started which may occur over a multi-year period. For example, technical assistance may be provided to develop a marketing approach to penetrate a new market and following completion of the technical assistance, the firm will begin to establish a new sales network, revamp its product line and/or develop new products. Another example would be a firm that receives technical assistance to adapt new state-of-the-art manufacturing technologies. The technical assistance may advise the firm what new machinery to purchase and how to redesign its plant layout. However, following the completion of the implementation assistance, the firm is required to purchase the new machinery, install it, train the workers to use it and get the bugs out. In both of these examples, it may be years before the benefits of the technical assistance can be measured in terms of improved financial indices. In most cases, two years is too short a period to measure results and to determine if a firm has adjusted or not. Furthermore, in some cases a firm's adjustment may require a scaled-down operation -- fewer employees and less sales volume.

o The definition of the status of the firms listed in the table on page 9 of the report is questionable. In our opinion, the classification of firms into a grouping labeled "Firms That Did Not Adjust" makes some invalid assumptions. The following points highlight our concerns with these classifications.

  - A bankrupt firm is not always a failure--sometimes bankruptcy allows a firm to work out its debts, continue,and work itself into a profitable operation. Of the six firms cited, the report provides only one example in this category, so we cannot tell if the other five firms in this classification can recover or not.

  - The draft report assumes that all "sold" firms are failures. Sometimes successful adjustment will result in an assisted firm being acquired by another entity. At times finding a buyer for a firm is an element of a recovery strategy.

  - Declining firms are also considered failures in the draft report. However, declining sales and employment, two to three years, following completion of implementation assistance does not mean that the firm will not recover. As discussed earlier, the results of implementing an adjustment strategy may take several years. In fact,the examples given in the report of client #16, a leather goods producer, implemented a strategy of lowering sales volume to concentrate on capturing a smaller "customized" market. The firm's dollar sales have increased, but unit sales have decreased. This firm appears to have adjusted since it is producing fewer units, but has a higher profit margin. If it begins purchasing finished leather from Italy, the firm will be even in a stronger position.

- Of five firms with stabilized sales, the TAA Program is given credit for jobs and sales for only two of these firms. One firm (#12), which the TAA Program was given no credit for, is an electronic parts producer. According to the NJ TAAC this firm had employment of 17 and sales of $900,000 when it first contacted the TAAC, and has employment of 130 and sales of $1.4 million currently. With TAAC assistance, the firm developed overseas markets in Italy and Far Eastern countries for solar panels which have sold well. This firm has also opened up a new plant. We therefore do not agree with the IG report's conclusion that this firm's increases were not a result of TAAC assistance. Firm #34 was cited in the report as an example of a stabilized firm for which the TAA Program was not given credit. However, this men's outerwear producer received TAAC funded technical assistance on how to lower production costs and to establish new markets. The firm received private financing to implement this strategy. Although the TAAC did not arrange this loan, the TAAC Diagnostic Survey and Adjustment Proposal helped the lender decide to make the loan. In 1982, this firm had sales of $6.2 million, 260 employees and after tax losses of $258,000. The firm currently has 186 employees and profits of $70,000 after taxes in 1984. The firm's strategy was to consolidate operations, increase profitability, and purchase new machinery. Reviewing this firm's situation leads us to the conclusion that this is a successful example of technical assistance for which both the TAAC program and firm deserve credit.

- Of the five firms listed as improving, the draft report gave the TAA Program credit for four of them. The reason stated for not giving the TAA Program credit for the fifth client is because the firm stated that the sole reason for the sales increase was the firm's listing in a prominent industrial directory. It appears improper to unquestioningly accept the firm's statement as the sole reason for its recovery. The report does not disclose what TAA Adjustment Proposal recommendations were made or implemented for this firm and what role they played in its recovery.

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- The statement that 87 percent of clients completing implementation assistance failed to stabilize or improve is suspect. First, the percentage is computed wrong and by the report's own figures should be 76 percent. Second, we do not find the sample used to be at all representative of TAAC client firms. Third, we do not consider this statement a proper conclusion from the sample reviewed since the time period is too short to properly measure adjustment, the assumptions made in classifying firms are illogical, and the firm's profit level is not considered.

- The practice of projecting the number of firms that will receive assistance, but will fail to recover from the 38 firm sample to the 303 firm sample seems to run counter to established research methodology and statistical techniques. Percentages based upon an unrepresentative universe of firms from a defined time period are applied to firms that have not dropped-out of the program. Little attempt was made to control any variables which could have affected the study. For example, the report does not mention that the 38 firms sample was covering a period (1982-1983) when the U.S. economy was in the throes of its worst recession since the Great Depression -- so it was not always foreign competition that adversely affected client firms.

- The report states that it takes too long for completed implementation assistance. The 38 firm sample had an average completion time from certification to implementation completion of 2 years 3 months for firms receiving technical assistance only, and 3 years 5 months for recipients of technical assistance and Trade Act loans. This does not appear to be excessive time to implement detailed recovery strategies.

- The report does not address the benefits to a firm in the development of a Diagnostic Survey and/or Adjustment Proposal, even if the firm does not use TAA resources to implement the Adjustment Proposal. Many client firms have never received an outside analysis of their operations, nor gone through the process of developing a business plan. When a TAAC conducts a Diagnostic Review of the firm and presents to management its findings, it is often the first time the management team has had an independent evaluation of the company's complete operations. Even those firms which have had outside reviews of their operations and/or business plans find the TAAC-prepared Diagnostic and Adjustment Proposal of significant value. The Diagnostic's identification of problem areas is of special interest to managers who are often so busy struggling with everyday survival issues that they have not been able to focus on less urgent, yet broad, strategic matters. Company management is often able to use the Diagnostic to address important basic problems without additional assistance from the TAAC. Those firms that continue with the program through the development of an Adjustment Proposal receive even greater benefit. After receiving what is often their first comprehensive view of their firm's operations in the Diagnostic phase, management is involved in the development of an Adjustment Proposal (business plan) that shows them how to improve their company in order to compete more effectively in the marketplace. This proposal identifies the steps to be taken, the resources required, and the proper timing for the elements of the company's adjustment. At this point, it is common for many firms to implement their Adjustment Proposals without further TAA Program assistance. Obviously, the TAA Program plays a key role in the adjustment efforts of firms in both these categories even though they don't receive post-approval Trade Adjustment Assistance.

- The statement on page 12 that the program is directed towards saving firms in declining industries which would normally be phased out, and that the TAA Program is fighting the inevitable, is not true. TAA client firms represent a broad array of industrial sectors. We certainly hope that it is not inevitable for these industries to be phased out. The TAA Program does not fight the inevitable -- rather those firms with little hope are not helped, and only those firms with a viable recovery strategy receive implementation assistance.

- Considering the report's flawed methodology, it is not surprising that when we analyze the results of the 38 firm sample we reach different conclusions. Based upon the table on page 9, the 38 firm sample resulted in 278 jobs stabilized or created, and $9.3 million of sales stabilized or created for which the IG report gave the TAA Program credit. The $9.3 million of sales and 278 jobs does not appear to be a bad rate of return for the one-shot $5.9 million cost of assistance for the firms listed on page 9. Over the next 5-15 years this $5.9 million investment will be returned many times over in tax revenues, as well as the multiplier effect it will have on the economy. We believe the real rate of return is considerably higher. As stated earlier, the sample is unrepresentative and concentrates on firms less likely to be successful. The methodology does not give credit for all adjustment due to measuring a short-run period, ignoring those firms that adjust without complete implementation assistance, and the unsupported assumptions on how to measure and credit success. Furthermore, the cost of assistance is overstated since it includes the firm's share of the cost, as well as the cost of loans, many of which will be repaid to the Government.

Attachment B

DETAILED ANALYSIS OF DOC IG REPORT ON THE TRADE ADJUSTMENT ASSISTANCE PROGRAM FOR FIRMS

This analysis will include an item-by-item description of the incorrect or misleading statements contained in the review conducted by the Office of Inspector General of the Trade Adjustment Assistance Program for firms. These descriptions are kept purposefully short in order to avoid duplication of points covered in the overview memo and methodology review.

Page 1:

Paragraph 1; The description of activities conducted by the Department of Commerce under the Trade Act of 1974 neglects to mention the Industry Technical Assistance Program which is a significant part of the Trade Adjustment Assistance (TAA) Program.

Paragraph 2; Technical assistance (TA) for firms is supplied through the Trade Adjustment Assistance Centers (TAACs), but the Industry TA program is conducted directly out of the Office of Trade Adjustment Assistance (OTAA) in Washington. It is therefore incorrect to state that TA is furnished exclusively by the 13 TAACs.

Paragraph 3; First bullet: Certification requirements do not state that firms can be certified only if employment has decreased; firms can also be certified if they can show a partial separation of workers, or a threat of imminent unemployment or underemployment. Furthermore, the certification process is not described accurately. The firm does file a petition. If, upon review, the petition is acceptable, the Certification Division institutes an investigation to, among other things, verify the data submitted by the firm and to develop other information relative to the determination, such as whether or not like or directly competitive imports are increasing absolutely or relative to domestic production. The telephone customer interviews are usually used as an important means of establishing the necessary linkage between the increasing imports and the declines that may exist in the firm, but other means are also used.

Second bullet: Preparation of the Diagnostic Survey and Adjustment Proposal often include the use of outside expert consultants if TAAC personnel do not have the required experience/expertise.

Page 2:

First bullet: The statement that the phrase "Implementation assistance" is misleading and the examples purported to show why it is misleading demonstrate that the reviewers had a basic misunderstanding of the program and what can be done with TAA technical and financial assistance. All of the activities the report states cannot be done with TAAC assistance are, in reality, eligible for assistance under the program. In fact, they have been done under the program. Implementation assistance is a shared firm and TAAC activity and Adjustment Proposal milestones must deal with all of the firm's problems, some of which are implemented by the firm without any Technical Assistance resources.

Paragraph 2; The statement is made that OTAA has no statistics on the number of firms that have successfully adjusted to imports. But the report does not mention that an OTAA-funded consultant study, which is scheduled for completion in late Spring 1985, is evaluating the adjustment process for firms.

Page 3:

Paragraph 1; It is somewhat speculative for the IG staff to suggest reasons why Congress voted to continue the TAA Program in spite of Administration proposals to eliminate it.

Paragraph 2; Third bullet: The reasons for looking at clients in six TAACs and then using data from only four of them are not explained. The problems with the client samples used are covered in detail in the critique of the review methodology.

Paragraph 3; Lines 2-3: The statement of the time frame during which this review was conducted is not correct. Our office was already being interviewed relative to this study in August and the report was not issued in draft form until February.

Lines 3-5: It is hard to believe that this audit was conducted in accordance with accepted standards, given the nature of data collection and analysis.

Page 3a:

As discussed in the methodology review, this chart is inconsistent with the narrative, since the 203 firm sample includes non-certified firms.

Page 4:

Paragraph 1; Lines 1-3: This statement is unfounded The TAA Program is of great help to a large percentage of those firms that receive substantive help under the program.

Lines 6-9: The TAA Program approach to helping trade-impacted firms does not ignore economic and market conditions that can affect firm performance. The exact opposite is true; the Diagnostic and Adjustment Proposal process are designed specifically to assess a firm in the context of existing external realities, as well as internal conditions. The strategy developed for a firm's recovery is designed to help the firm recover within the overall macroeconomic context.

Lines 9-10: While we recognize that there are deficiencies in the program, we object to the use of the term "serious" to describe them, expecially when so little was done in the report to identify practical problems and realistic solutions to them.

Lines 10-12: There is no useful definition given as to what the phrases "entering the TAA program" and "receiving any constructive assistance" mean. Later discussion in the report makes it clear that many of the firms included in the universe of 303 firms "entering the program" had no real involvement in the TAA Program, while many of the firms characterized as not "receiving any constructive assistance" had, in reality, been helped to adjust by the TAA Program.

Lines 12-13: The discussion of firms projected to "receive assistance but will fail to recover" has little basis in fact. As the methodology discussion pointed out, it is at this point that percentages based on a completely different unrepresentative universe of firms from a different time phase of the program are applied to the firms that the report says have not "dropped-out" of the program. Thus these projections are basically unsubstantiated and misleading when making any assessments about the TAA Program. In addition, later statements in the review report make it clear that some of the firms classified as having failed to recover have successfully implemented their recovery strategies.

Lines 14-16: The statement that only 11 of the 20 firms projected to recover will be creditable to TAA Program assistance is arbitrary. It becomes clear in the back-up material for the report that the IG staff assessment of what is or isn't attributable to the TAA Program is based more on innuendo than on meaningful standards.

Lines 16-19: The statement that the chart on page 3a depicts the "program's staggering failure to improve or stabilize import-injured firms" is not based on a defensible methodology.

Lines 19-26: Conclusions based on such faulty evidence are meaningless.

Paragraph 2; Lines 1-5: These statements indicate that the IG reviewers believed that firms had to complete full implementation assistance programs before they could benefit from participation in the TAA Program. As addressed in the methodology discussion, this is not an accurate assumption.

Lines 5-9: The question raised as to why firms eligible for the program would "drop-out" in such large numbers reveals two more basic errors in the IG review. First, the examples provided concerning why firms had "dropped-out" made it clear that a substantial portion of them were not eligible for assistance under the program. Second, as pointed out in the methodology section, many of the firms they classify as "drop-outs" have in reality received all the assistance they needed under the program to effectuate their recovery.

Paragraph 3; Lines 1-3: The use of the phrase "chose not to participate" is misleading. As was already pointed out, many of these firms were clearly not eligible for substantive assistance under the program and therefore no choice on their part was possible. In addition, as already discussed, many of the firms classified as "drop-outs" were really firms that had completed successful adjustments using TAA Program assistance.

Lines 5-6: To talk about the percentage of "certified" firms that "dropped-out", when the examples show that not all of the firms in the sample were certified and many did not "drop-out" by choice, demonstrates the weakness of the analysis.

Page 5:

Paragraph 1; No explananation of the basis for the analysis of reasons firms "chose" not to participate is given. It appears that the IG staff took what in many cases could have been self-serving ex-client explanations on face value without checking to see if there may have been other factors involved in these "drop-outs." Knowing the historical TAA Program experience in this area, it is hard to believe that the IG staff did not come across firms that they thought had "dropped-out," when in reality the firms had completed adjustment efforts without TAA Program assistance in the implementation phase.

Paragraph 2: Bullet 4: While the report calls this a sample of "certified" firms, it is likely that the firms referred to did not petition and thus were not certified.

Bullet 5: While we can sympathize with firms worried about the confidentiality of their proprietary data, we do not feel apologetic for weeding out firms that are afraid to have the IRS see their books. While we do not share the data provided to us with other Government agencies, we certainly do not wish to help firms that avoid paying their taxes.

Bullet 6: The availability of lower loan interest rates or loans with less restrictive conditions does not mean that firms have to drop-out of the program. The great majority of TAA assisted firms do not receive TAA Financial Assistance. It is also noteworthy that one of the firms they cite as an example of a "drop-out" because of the requirement for personal guarantees is still in the program and negotiating the terms of the loan/guarantee agreement.

Paragraph 3: All of the reasons shown for firms "dropping-out" of the program because of disabling financial conditions appear to us to be indications of a well run program. We are especially pleased to see recognition given to the fine job the TAACs have done in weeding out firms that are not financially strong enough to effectuate a recovery. Firms that went bankrupt and/or closed should not be classified as firms that "chose not to participate" as the report has done.

Page 6:

Paragraph 1: Bullets 1-4: Most of the reasons given in this section for firms "dropping-out" again support our contention of a well-run TAA Program and call into question the IG staff characterization of these firms as eligible clients whose departure from the program was voluntary. It is obvious that any firm that had its Adjustment Proposal rejected, or that was found to be ineligible for further assistance, is not leaving the program of its own accord. Similarly, any firm that wants only loan or loan guarantee assistance and does not want to undertake a complete adjustment program, does not merit further assistance under the program. We believe that the very examples used by the IG staff to supposedly depict a weak and ineffective program really show that the TAA Program does a good job of screening potential clients to ensure that they are legally eligible for and can make good use of program assistance.

Paragraph 2: While we appreciate the statements in this paragraph that most of the reasons cited for client firm drop-out could be corrected, we would have greatly appreciated if the reviewers would have taken the time to expand on those findings and give guidance as to what changes they recommend.

Paragraph 3; Lines 3-5: The description of firms entering the program "already mortally wounded by imports" ignores the fact that, as shown in the IG staff's own examples examined above, the TAA Program does a good job of weeding out firms that are not capable of effectively using assistance. The reviewers do not seem to understand the criteria for certification or misrepresent this criteria by referencing "...legislated requirements to prove import injury..." to support the contention that many firms are "...mortally wounded by imports before receiving assistance." This criticism might have been true about the Trade Expansion Act of 1962 which required a finding of serious injury or threat thereof, but the Trade Act of 1974 changed that requirement to the much less onerous declines in sales or production, or both, and actual or threatened separation of a significant proportion of a firm's workers. Under the Trade Act, imports must only contribute importantly (not signficantly, as the report states on page 6) to the declines, whereas the earlier act required that imports be the major cause of the serious injury. Thus, the legislative requirements do not require the firm to be mortally wounded before it may get help.

Lines 10-12: The report's observation that imports have often captured TAA Program client markets which would make them "difficult, if not impossible, to reclaim" shows a basic misunderstanding about the whole adjustment process. One of the key elements of the Diagnostic review is an assessment of the potential markets available to the client firm and an identification of those markets that show potential for sales by the firm. Markets already effectively captured by imports would not be targeted in a firm's recovery strategy.

Paragraph 4; Lines 3-7: The average time required between certification and completion of implementation assistance, according to the chart on page 9, was 2 years and 3 months for firms that received technical assistance only, and 3 years and 5 months for recipients of both technical and financial assistance. We do not consider this to be "excessive" considering that implementation of a recovery strategy is often a multi-year commitment.

Lines 9-17: We appreciate the report presenting the TAAC Director's comments for condensing assistance time to us, but these are not new ideas. Certifying entire industries instead of firms has merit and has been discussed for several years, but requires legislative changes. The concept of condensing the diagnostic survey and adjustment proposal into one document is currently under review in OTAA.

Page 7:

Paragraph 1; The views in this section explaining that "many client customers, particularly large retailers, are reluctant and/or just plain unwilling to talk to Government officials about their import activities" as a reason for eliminating the customer list requirement is misleading. Customers may indeed be reluctant or unwilling. The fact is they do talk with OTAA staff and provide valuable and pertinent information on a routine basis. OTAA staff has no difficulty in eliciting information on an almost daily basis with some of the largest retailers in the nation. Further, if one or another customer does not wish to talk with OTAA staff, the next customer is interviewed until the sample is large enough to support a conclusion. OTAA has never had a complaint from any petitioner whose customers we have interviewed about causing rumors in the business community, as reported in paragraph 6, page 5, or any other serious complaint alleging adverse affects because of customer interviews. OTAA Certification Division personnel are experienced professionals, keenly aware of the need to be discreet in the interviews, and each of them has performed thousands of interviewers with no problems. It is interesting that the report does not mention any alternatives to customer interviews, nor the fact that we do have alternative approaches. OTAA staff do not use the interviews if other methods are available. For example, letters from customers on the subject are accepted. If there are other data available to establish the necessary linkage, such as from the U. S. International Trade Commission or a parallel investigation from the Department of Labor, it can be used whenever possible. The OTAA staff experience, gathered over 15 years of experience in trade adjustment assistance, is that customer interviews are the most effective way of establishing the linkage the law requires between imports and their effect on the petitioning firm.

Paragraph 2; Lines 5 - 6: We object to the suggestion that the TAA Program should eliminate procedures which clients believe violate confidentiality. Although it is not entirely clear what those procedures are, there is a hint that it includes the customer interviews by telephone as well as the fear stated on page 5 that "...financial information would be referred to the Internal Revenue Service." We have never had a complaint about confidentiality during the entire life of the program since we do not violate a firm's confidentiality.

Lines 6-8: This statement implies that the TAA Program is not successful since not enough firms reach the implementation phase of assistance. Since the goal of the TAA Program is successful adjustment, the number of firms that reach the implementation phase does not measure success.

Paragraph 3; As discussed in the methodology section, a time period of two years after completing implementation assistance is far too short to make a determination if a firm has adjusted. Also, as pointed out in the methodology section, the 38 firm sample is not representative of the TAA Program. Therefore, we do not believe that analysis of this sample can determine if lower drop-out rates will improve the program's effectiveness. We do not believe that the drop-out rate, as defined in the report, is a problem since it really is not a drop-out rate, but a retention rate. The fact that only 27.4 percent of the firms receive implementation assistance shows that the program is effectively screening out non-viable firms or providing assistance of quality sufficient to permit a firm to continue an adjustment without further assistance.

Page 8:

Chart; As discussed in the methodology review, the classification of firms in broad categories, the assumption of failure to adjust after a two-year period, and the failure to consider the firm's level of profits in determining adjustment indicates the review team's lack of understanding of the adjustment process.

Paragraph 2; The projected success rate of the 303 sample from results of the 38 firm sample is illogical and similar to mixing apples and oranges. The 303 sample includes firms that chose not to seek certification and/or are ineligible. The industry mix of the 303 sample is also entirely different, with less concentration on labor intensive industries. We therefore question how success rates of the 38 firm sample can be projected to the 303 firm sample and, by inference, to the TAA Program as a whole.

Last Paragraph; Lines 5-8: The definition of the time required to complete implementation assistance is not correct. Implementation assistance is completed once the adjustment strategy is completed -- not when the "firm and TAAC agree to accept the recommended strategy."

Pages 10 & 11:

As previously discussed, we do not agree with the classification of firms and the assumptions made.

Page 12:

Paragraph 1; The statement is made that it is perplexing why the TAA Program failed in light of well qualified and dedicated TAAC personnel. We strongly believe that a representative sample, a longer time interval measurement, and an unbiased methodology would yield extremely positive results. In fact, even with all the flaws of the IG methodology, an evaluation of cost and benefit is not negative.

Paragraph 2; While for some product lines import problems are outside the program's control and influence, for many it is not. Those firms with good marketing opportunities and strong management can modify their products and go after markets that are not impacted. Helping firms capture new markets and/or lower production cost and improve quality in existing product lines is certainly not outside the program's control. Adverse world-wide economic and market conditions are not ignored, but are considered in helping direct viable firms toward new opportunities.

Last Paragraph; Helping to save a viable firm in a declining industry is consistent with a free trade philosophy. We certainly do not propose assuming all firms in declining industries will fail. However, development of an adjustment strategy for a firm in a declining industry is more difficult and a higher proportion of firms from declining industries are screened out. The comments in the IG report imply that U. S. trade policy should write off declining industries and concentrate on services. Such a policy would be most unfortunate since there are many firms in declining industries that are fully competitive with foreign producers, and many more could be competitive by implementing viable strategies. Since a significant portion of the industries considered critical to the U. S. Defense base are injured by foreign trade, a policy of writing off declining industries could affect America's national security.

Page 13:

Paragraph 2: We do not agree that trade adjustment assistance is a "temporary reprieve at best." As long as assistance is limited to viable firms, with realistic recovery strategies, adjustment for many firms can and should be long-term in nature.

Last Paragraph: The December 1978 GAO report was done prior to the establishment of the TAACs. The GAO report offered constructive comments on how delivery of services could be improved and virtually all of the GAO recommendations have been implemented. Since the December 1978 GAO review, the DOC IG reviewed two TAACs - New Jersey and Mid-America. No major programmatic problems were found and most recommendations of these reports have been implemented.

Page 14:

Paragraph 1: The December 1981 IG review identified problem areas in the Trade Act loan program, and most of these problems were related to EDA's management of the program. ITA used this report to make changes, and the prospects for improved quality of the financial assistance portfolio was acknowledged by GAO in its April 2, 1982 report entitled "Management of Trade Adjustment Program Shows Progress." This report (which is not cited in the present IG review) analyzed a large and mostly mature sample of loans dating back to 1975 that were processed through a relatively uniform set of guidelines. This GAO report attributed weaknesses in recovery primarily to firms that were too far gone, and to soft lending policies. The subject IG report now faults the program because it effectively screens out, during the early stages, those firms that are too far gone or are not willing to take a comprehensive approach to recovery.

Paragraph 2: We agree with the statement that there is a narrow window for firms that cannot get private financing and yet pay back the loan. This is why less than five percent of TAA client firms receive Trade Act loans to implement recovery strategies. However, we fail to understand why this confirms the report's conclusion that few import impacted firms can be predicted to adjust and are therefore poor credit risks, since the vast majority of the TAA Program's clients implement their strategies with outside private financing.

Lines 1-2: The IG report findings contradict the statement that the "TAA Program has not fostered economic growth and employment in import-injured firms." The 38 firm sample resulted in the TAA Program being given credit for 278 jobs stabilized or created and $9.3 million of stabilized or created sales. Even taking these grossly underestimated "findings", projecting this success ratio for the 126 firms completing implementation assistance during fiscal years 1982 and 1983 would result in nearly 1,000 jobs and over $30 million in annual sales. This is an extremely positive rate of return for a one time Federal technical assistance investment of $23.6 million.

Lines 3-5; The report states that during fiscal years 1982 and 1983, the cost of the TAA Program for firms was $50 million. This is not accurate since the following funds were provided for firm assistance during this two year period.

Firm Technical Assistance	$21.7 million
Direct Trade Act Loans	$10.4 million
Funds Put in the Reserve Account to Cover Guaranteed Loans	$10.6 million
OTAA Administrative Costs	$ 3.8 million
	$46.5 million

The majority of funds for direct loans will be repaid, and much of the reserve account will probably be used.

Lines 8-13: The report's conclusions are invalid since the methodology is flawed.

Lines 14-15: It is unfortunate that the IG team chose not to make any recommendations.

Chairman GIBBONS. I would hope the Department of Commerce would set up these inspector general's offices to be helpful not only to the Department but to the Congress, and I would hope that we would direct our staff to prepare a letter to the Secretary of Commerce for my signature formally requesting the document.

Mr. SPRINGFIELD. May I make an additional comment? Having thought about what you said about the 5 percent and applying that to the 35 to 50 firms that we would assist in a year, that would put us in the range of actually helping effectively one to two firms per year, I would have to say that that is an absurd conclusion.

Mr. PEASE. This may be an inappropriate question for the panel, and if it is please just say so, but we often have the suspicion that when agencies come before us and the administration position is to X out a program that the testimony of the witnesses is designed to corroborate that position of the administration.

You were saying that when the inspector general visited your TAAC, he did not seem to understand what you were about. Do you feel that this is the explanation for the conclusion reached in the inspector general's report, or do you have any basis at all for suspecting that there was a sort of molding or bending of the report to reach a certain conclusion?

Maybe I ought to ask somebody who is not receiving funds from the Department of Commerce.

Mr. SPRINGFIELD. I would comment to the extent that I can assure you that Mr. Lindsey and I tried our best to persuade this gentleman as to how his program worked and inform him, to educate him, yet he was persistent in comments that the yardstick by which to measure this program was jobs saved or jobs created, and when we advised him, we felt like that was an EDA yardstick, his defense was that most of the OTAA staff is from EDA, therefore, this is what they understand.

One of his staff members accompanying him stated that the manufacturing sector was shifting to the service sector, that he did not feel like that was a bad thing. The IG team made no consideration of the possibility that a firm might take a diagnostic study and implement the recommendations on its own. We have such a firm here today that has done that, perhaps more than one.

Having those concerns, I talked to some of the other TAAC's and found that they had the same responses and voiced their concerns to the IG.

Mr. **Lindsey**. One other comment. We have been in business a little over 7 years now. I think we have at least seven people here today to talk about the recovery process, so if his records are true, we have got all the people that were assisted here today talking about it.

Mr. **Pease**. It is amazing you could get every single one. Based on your experience, what is the normal situation of a firm at the time it applies for and receives TAA? That is, are firms generally on the brink of going out of business or going bankrupt, or is there usually a real prospect that with adjustment assistance they can recover and become competitive?

Mr. **Lindsey**. The answer to that is that we get them in all forms from the standpoint of situations where a company has actually filed for bankruptcy or protection under the bankruptcy law, all the way to those that are barely eligible for the program.

In operating the outreach part of the program or the marketing of the program, we attempt to locate firms that are what I would call barely eligible for the program, because once erosion is started, it normally happens very rapidly.

The earlier you can identify a potential impacted firm, the more you can do with them, so our attempts to find that, although we have an open-door policy, we work with each and every company that is referred to us.

Mr. **Fowler**. How do you go about finding them? How do you do your outreach?

Mr. **Lindsey**. Well, since we cannot directly solicit or inform companies—in other words, I cannot pick up a phone and call and say, "You are in an industry that is import-impacted," which they generally already know, and "Are you aware that this program exists," and that there are certain possible benefits to the company of the program.

We cannot do that, so in essence, what we are doing is working through a referral source in educating people that deal with these companies on a day-to-day basis about the program, what it does, what it can do for the company, what the company can do for itself through the program, and we really have an industrial data base that we use that is a computerized data base to supply new industries.

This is not a static situation; it is a very dynamic situation. Industries that were yesterday not impacted very much so are today, so we have the ability to, once we are aware of the impaction within an industry, to identify each and every firm in the eight Southeastern States that fit into that industry, and then contact the trade association or something like that.

Mr. **Pease**. What is the reason for the policy that you are not allowed to let anybody know that you are in existence, that you exist?

Mr. **Lindsey**. Originally, that was not a stipulation in the program. About 3 or 4 years ago, a company that was contacted out of probably some thousands that we have contacted, various TAAC's have contacted over the years, got their market program, complained to the Department of Commerce and as a result, to my understanding of that one letter, we were instructed that we no longer could contract firms directly.

Mr. **Pease**. That is not statutory, that is a regulation?

Mr. **Lindsey**. That is the policy.

Mr. **Pease**. OK. What about the financial assistance portion of the program? The Department of Commerce, I think, testified last year and gave us a bunch of figures about the default rate on the financial portion of the program.

As I recall, then our researchers found out that the bad financial experience came back when EDA was running the program and that since it has been transferred to the International Trade Administration there has been rather good experience. Can you enlighten us on this situation at all?

Mr. **Springfield**. I am not familiar with the current default rate or performance of the loan portfolio since it has been transferred to ITA.

There is testimony attached to my testimony from the director of the Jersey TAAC who states that his default rate in that State on the eight loans that were closed in the last 2 or 3 years is 4 percent.

The loan program has actually become a fairly small part of the services that we deliver to companies today. In the Southeastern TAAC, I believe we only closed two loans in 2 years, and so, our activities generally involve seeking bank loans, industrial development board loans, and other sources of financing for the companies that we work with.

Mr. **Pease**. Since these days, Federal loans and loan guarantees generally are out of style, out of favor, how important do you think it would be as we try to reauthorize this program that the loan and loan guarantee programs be kept as a part of the trade adjustment assistance process?

Mr. **Lindsey**. One comment on that.

I think that the loan programs serve one major advantage. Outside the normal types of loans that a company needs, working capital, fixed asset loans, the major area where we have discussed the Loan Program with companies have been in areas which involve product development.

Product development is an area that many commercial banks do not want to get into. If there is one area that that does serve any purpose at all, it is in those situations where companies need the funds to assist in the technological advances of their product line—so in this one area.

Other than that, the majority of the companies that we work with we assist them, try to assist them in going through private groups. For one reason, it works faster.

Mr. **Springfield**. To be more specific, my personal feeling is that for the money that is appropriated for the Loan Program, which last year was $6.5 million, that if that were provided to the regional centers as technical assistance funds or to interested industry groups to make industry studies, I believe that we could get more return on our dollar from that small amount of funds.

Mr. **Marsh.** I have worked with about 10 firms over the last 2 years, and all of them had interest in the program, but the interest rate on those loans is well over prime, higher than they normally can get with a private bank if they can get the financing, so as the project manager, I always try to steer them toward any other type of financing other than the Federal under this program because it is a highly controlled loan and it is a very high interest rate.

Mr. **Pease.** I know we have to wind up, but let me just ask you one other question.

There has been some suggestion that the eligibility criteria are too tight, that the firms must be in distressed conditions and actually impacted by imports before you can be of help to them, and you have testified this morning that the earlier you can get them, the more chance of success you are going to have.

One suggestion that has been made is that the eligibility be determined by whether an industry is distressed, and not necessarily by whether an individual firm within that industry is already itself being impacted by imports.

I can see where that theoretically would be very helpful. On the other hand, that would substantially expand the universe of firms that could be helped, and I suspect that would worry some people in terms of the amount of money that is available for the program. What is your reaction to that suggestion?

Mr. **Lindsey.** I can say that I can see the decision on how to determine who is eligible is like King Solomon having to decide something. There is never a good, easy point to divide it.

I think what we have now has worked. I do think it does prevent companies from getting the assistance when it would be more effective to some extent.

To give you an example, if a company produces several different product lines, of which maybe only one or two of those product lines are import impacted, it cannot receive assistance under this program for those impacted-product lines if it has been able to at least keep its sales stable overall for the entire entity, the entire company. Therefore, another company which only produces that one product line could receive assistance under this program, and the company that is producing several product lines could not.

What happens over time, eventually that person that was not eligible today will generally become eligible because it is going to erode his financial strength and he is going to have problems across the board, so there are some instances, although it is very difficult to legislate in a way that it is fair to all parties.

There are some instances where if we were able to have companies qualified earlier I think we could do more for the company sooner and get them on the road to recovery a lot quicker.

Mr. **Springfield.** I agree with that, and I think the ability to adjust to the import competition would be greater if we could start the process sooner, and the investment feature that we talked about would return tax dollars, there would be a higher probability we would realize that return.

Mr. **Pease.** Well, assuming that we will be lucky if we can reauthorize the same amount of money that we have been operating on over the past several years, what will happen and what would happen if we did expand the eligibility as we have been suggesting here?

As I said, you get a much larger universe of firms eligible, and does that mean that we are going to face pressure to vastly expand the program or that you will have to pick and choose more and maybe some of the firms that need it the most will not get it? How is that going to work?

Mr. **Springfield.** I think that already we have a situation where we have to screen our firms and pick and choose, and so that there is no doubt that if we allowed more firms to qualify we would be faced with further screening on the basis of those most likely to adjust.

Mr. **Pease.** Would it be fair to say that if this broader definition were used you probably would have a higher success rate since you are getting the firms at an earlier point, but that you would have fewer dramatic success stories, and fewer major reversals, and success might be a little more subtle than you are used to experiencing now?

Mr. **Lindsey.** I would say it could be, but then there are instances—periodically we have a case where a client is very rapidly impacted. An example comes to mind in North Carolina a couple of years back where a company lost 25 percent of its sales in 1 day, it lost a major distributor which was purchased by a foreign company and therefore began to distribute that company's product.

In a situation like that where technically they were not eligible right at first but we had to demonstrate a threat in that situation is a dramatic case. It was a borderline situation eligibility, but we were able to get in there and very effectively help them quickly, so, yes, that kind of dramatic case would remain, and you are right as well, that if you are helping them recover there is going to be less headlines about people going back to work.

There may be more people going to work because the company is expanding, but the headlines about this textile plant was closed and now it has reopened and things like that would probably be less.

Mr. **Pease.** Thank you, Mr. Chairman.

Chairman **Gibbons.** Mr. Frenzel.

Mr. **Frenzel.** Mr. Chairman, I think it has been good testimony, I thank the panel and I think we are not going to get to the others unless we move along, so I am going to yield my time.

Chairman **Gibbons.** Wyche.

Mr. **Fowler.** I agree with Mr. Frenzel, Mr. Chairman. I do want to thank you and the Trade Subcommittee for choosing Atlanta to have these hearings.

Competition is fierce all over the country to let folks talk to this particular panel, so I welcome you to Georgia and commend to you the work of the Georgia Tech Research Institute in all of its facets, the $50 or $60 million worth of business of helping the State government, local government, as well as Federal participation, so as a Georgian, you have got a good crew here.

Chairman **Gibbons.** Mr. Schulze.

Mr. **Schulze.** Mr. Chairman, I only have one question, and that is, do you have figures or can you supply us with figures of the overall number of applicants and the success ratio, the total number of people?

Mr. **Lindsey**. You mean nationwide or just within this area?

Mr. **Schulze**. Yes.

Mr. **Springfield**. Do you know the total applicants?

Mr. **Lindsey**. I know we have been working with——

Mr. **Schulze**. You can supply the committee with that?

Mr. **Springfield**. Yes, we can.

[The following was subsequently received:]

Additional Testimony Submitted by Robert W. Springfield, Director, Southeastern Trade Adjustment Assistance Center, Georgia Tech Research Institute, Georgia Institute of Technology

The following information is submitted in response to the request for historical success ratio information for firms assisted by the Southeastern Trade Adjustment Assistance Center (TAAC).

Status of firms (success ratio) requesting technical assistance from the Southeastern TAAC, 3-year period Sept. 30, 1985

Status description	*Percent of sample*
Assisted firms that have successfully stabilized or improved their situation	45
Assisted firms which have a good prospect for stabilizing or improving their situation	11
Firms in the process of being assisted and firms with concluded assistance. Results are pending	22
Assisted firms still in business, prospects for stabilization or improved situations are doubtful	9
Assisted firms that are now out of business	11
Other	2

The status and outcomes of Southeastern TAAC firm assistance projects are presented within the following framework:

(1) Status information is based on the sample of firms that were certified during federal fiscal years ending 9/30/82, 9/30/83, 9/30/84. Firms certified prior to the sample period but receiving assistance during sample period were not included.

(2) Import impacted firms are categorized as stabilized or improved if they have (utilizing a variety of strategies) succeeded in reversing or stabilizing various negative, financial and/or sales trends which threaten the existence of the company.

(3) Import impacted firms which are receiving or have received adjustment assistance but results are pendig are classifed as such.

(4) Import impacted firms which have been assisted but whose viability is considered doubtful are classified as such.

(5) Technical assistance is not automatically granted to certified firms. A certified firm must request technical assistance. To begin the technical assistance process a firm must:

Be certified;

Request technical assistance;

Pass an initial viability screening by the TAAC; and

Agree to an initial assistance scope of work and sign a cost-sharing agreement to pay the required firm share of the cost of the assistance.

This analysis reports the status of only those firms which engaged the technical assistance process by meeting the above conditions.

Chairman **Gibbons**. We appreciate it, and we will hold the record open for that material.

It is obvious from having viewed Georgia for many, many years the emphasis on the kind of thing that you are talking about has been very successful. I am always impressed going through Georgia, and I do on many occasions, to see how rapidly the State is changing. I realize your efforts stretch far beyond Georgia, and my congratulations for the good work you have done.

Mr. **Springfield**. Thank you.

Chairman GIBBONS. Our next panel consists of Mr. David O'Bryon, who is director, governmental affairs, American Textile Machinery Association; Mr. E.T. (Buddy) Young, who is the vice president of pioneer division of Ellison Corp. of Atlanta; and Mr. Gene Kennedy, president of Whitin-Roberts Co. of Charlotte, NC.

We are glad to have you gentlemen here, and one of the things that has puzzled us as we observe the textile industry is why has so much foreign machinery, or why is foreign machinery in such great demand over American machinery, and what has caused that?

Perhaps you all can help us today to understand it a little better and tell us the experience you have had.

Let us see. Mr. O'Bryon, you are the first one on our list.

STATEMENT OF DAVID S. O'BRYON, DIRECTOR, GOVERNMENTAL AFFAIRS, AMERICAN TEXTILE MACHINERY ASSOCIATION

Mr. O'BRYON. Thank you, Mr. Chairman and members of the committee.

I greatly appreciate the opportunity to testify today regarding the importance of the Trade Adjustment Assistance Program for Firms and Industry.

For the record, I am David S. O'Bryon, the director of governmental affairs for the American Textile Machinery Association, and on this holiday weekend your presence is a testament to your interest in this area, and we are certainly grateful for it.

The American Textile Machinery Association was founded in 1933 and is the only U.S. association devoted solely to the advancement of U.S.-based manufacturers of textile machinery, equipment and parts.

Its 100-plus member companies represent more than 80 percent of the total industry's volume of capacity machines. The association is headquartered in the Washington, DC, suburbs.

The volume of U.S. industry shipments exceeds $1 billion, with exports representing 20 to 30 percent of shipments. Given lower exchange rates, exports should be in the 40-percent range as they were not too many years ago. About 45 percent of the shipments are parts and accessories. ATMA has received the president's E-Star award for continued expert service to the industry.

The industry is one of small businesses. The number of firms is less than 600, 25 percent producing original equipment and the remainder concentrating on supplying parts and accessories. Most of these firms have fewer than 20 employees.

It is my understanding as we go through today's hearing it is for the purpose of determining the degree of helpfulness rendered by the Trade Adjustment Assistance Program.

I am pleased to be able to come before this committee and tell you that the programs have been and are extremely helpful to the textile machinery industry. I will attempt during my testimony to give you several examples of where that help has come about.

The Trade Adjustment Assistance Program for Firms and Industry has provided this industry association and its members some means to compete with the inequitable trade practices of offshore textile machinery suppliers.

With these practices, many Government-sourced offshore competitors have penetrated markets at an amazing rate since 1960 when the U.S. textile machinery makers commanded 93 percent of domestic sales and 15 percent of the world market share. These shares have been halved in these 20 years.

Studies by the Trade Adjustment Assistance Program have provided analyses that examine this decline and recommend realistic methods to reverse it.

Without this Government-backed program, these valuable works would not exist. The industry and several firms have received high quality advice to compete technologically within the marketing arena. The association and many firms individually are following the marketing and technological advice borne by these studies.

On the panel today are two firms that have experienced assistance. You will hear their individual stories. In fact, one of these studies I will mention served as a reference in the preparation of a program to assist these companies.

I should point out at the outset that the studies that I am mentioning here, that the Trade Adjustment Assistance Program and ATMA undertook, were under a tripartite effort: the Government, industry, and association. They were funded in part by Federal dollars, in part by industry dollars, in part by in-kind expenditures. The studies have enabled the industry to look at its plant efficencies, its marketing techniques, its research and development capabilities, and its technology.

Let me go through quickly and summarize some of this because I know the committee is under some time constraints.

The first study that I wanted to mention was a massive global reference study entitled "Opportunities and Strategies for U.S. Textile Machinery Manufacturers To Improve the Competitive Positions in Domestic and Foreign Textile Markets 1980–1985."

This textile assistance project was accomplished under a grant through the Trade Adjustment Assistance Program for Firms and Industry. This 7-volume, 1,561-page report has been used to adapt new textile business strategies. The report includes an executive summary, technical and marketing assessment, a detailed analysis of 51-country markets and identification of key mills by address and product, and more.

The study could be considered a benchmark survey of world textile machinery manufacturers. Informed business decisions are the best decisions, and this study enables our business leaders to make informed judgments.

Financial resources to make this study were not available within the textile machinery industry itself. The Trade Adjustment Assistance Program made the difference.

The second study that I wanted to make reference to was one dealing with high technology. It was a cooperative agreement between the American Textile Machinery Association and the Office of Trade Adjustment Assistance. The long-term goal of the study was to ensure that U.S. technological advances are applied by U.S. manufacturers and that machinery producers are state of the art.

Three projects were outlined in the study were defining potential needs, identifying potential resources, developing a tentative structure for an institute or similar mechanism to coordinate high technology research and development. This study has sparked a two-pronged effort to increase the application of high technology to the production of fiber, textiles, and apparel.

At the present time ATMA is in the process of preparing a final proposal to OTAA for substantial funding to pursue, first, a foundation for research and development as well as, second, a demonstration project as recommended by the study.

Recently an editorial by ATMA president David Gessner in the widely read Southern Textile News explained the significance of the proposed foundation's first project that we believe has a high probability of success. The editorial in part read:

> The recommendations are clear. Technology exists in other fields that could be transferred to help automate the textile fabric inspection process, from greige goods through apparel. Although it would be done in defined phases over several years, the total cost is predicted not to exceed $6 to $7 million.
>
> A permanent high technology foundation would be created to administer this project and then, subsequently, similar joint efforts.
>
> If fabric inspection expenses could be reduced only 10 percent, or $60,000,000 per year, the return on investment would be spectacular. Or, if ultimately all fabric coats were reduced by 1 percent per yard, the resultant savings to the American consumer would be $200 million per year.
>
> The firms that presently supply inspection equipment to the U.S. textile industry are small for the most part, with individual company sales in this area probably less than $6 million annually.
>
> Thus, individual research and development efforts exceeding one year's related sales volume are unlikely. A cooperative approach is called for in this instance.

That is why and we are looking for OTAA's funding and their advice to fund this project and develop others through the proposed foundation which will eventually be self-sufficient.

The last study that I would like to make reference to is a global report on product liability. This was completed in 1984. It was a multi-industry international product liability assessment partially funded through the Trade Adjustment Assistance.

The effort involved five cooperating industries that supply machinery: The ATMA, the Food Processing Machinery Industry, the Packaging Manufacturers Institute, the Pulp and Paper Machinery Manufacturers Association and the Wire Machinery Builders Association.

The study evaluated product liability experience of the five industries, reviewed current and projected insurance situations, compared legal systems in the United States, Japan, and Europe and recommended measures affected industries may take to reduce exposure and costs.

The 400-page report was prepared after several months of primary and secondary source investigation in United States, Japan, and several European countries. Its purpose was to provide information that will assist domestic manufacturers to become more competitive globally. This purpose was met, and we are certain many of the scores of recommendations are now being considered and acted upon by companies and associations.

To conclude, I would like to point out that assuming that the American textile machinery industry successfully undertakes the technological and marketing recommendations of these studies, these sales cannot be consummated if the U.S. private and public banking sectors continue their current practices.

The U.S. textile machinery industry simply has insufficient resources to compete with the financial practices of other nations. This may be the single most crucial factor affecting competitiveness of the industry worldwide. This fact underscores the importance of the Trade Adjustment Assistance Program for the Firms and Industry.

As industry executives who have monitored the various studies' progress have said, the worldwide technology and marketing assessments and the detailed market identification go far beyond any resources available to them.

The comparable technological and marketing assessments finitely reveal the areas of weaknesses and strengths by product segment and by worldwide market, and in so doing recommend corrective actions.

I think it is probably appropriate that one measure of the study's cost-benefit value is to weigh total expenditures against the number of U.S. textile machinery establishments.

While a substantial majority of the 640 U.S. firms produce parts and supplies, as opposed to complete machines, these studies have a bearing on the future of all, and the global reference study provided data and a focus that is simply impossible for the vast majority of firms to fund or require other than by a collective approach.

The total cost of just this one study, the Werner report as it is referred to, equates to less than $650 per company, and again, this is a $1 billion industry.

Another factor to consider in deliberating OTAA is retention of the national security. The textile machinery industry is considered a critical industrial sector, that is an industry which produces a product considered essential to the defense needs of the United States and its industrial base.

A May 1984 report by the International Trade Administration stated that among 92 critical U.S. industries textile machinery is among the top 10 being trade injured. We are an industry of small businesses.

One thought I would like to leave this committee with, is that the Trade Adjustment Assistance Program for firms and industry is making a positive contribution.

These studies are being used and reused as reference points. This type of assistance not only needs to be maintained but increased.

Chairman GIBBONS. Thank you, sir.

[The prepared statement follows:]

STATEMENT OF DAVID S. O'BRYON, DIRECTOR OF GOVERNMENT AFFAIRS, AMERICAN TEXTILE MACHINERY ASSOCIATION

Mr. Chairman, I greatly appreciate your invitation to testify today in regard to the importance of the Trade Adjustment Assistance Program for firms and industry. For the record I am David S. O'Bryon, the Director of Government Affairs for the American Textile Machinery Association.

The American Textile Machinery Association (ATMA) was founded in 1933 and is the only U.S. association devoted solely to the advancement of U.S. based manufacturers of textile machinery, equipment and parts. Its 100-plus member companies represent more than 80 percent of the total industry volume of capital machines. The association is headquartered in the Washington, D.C. suburbs.

The volume of U.S. industry shipments exceeds one billion dollars with exports representing 20-30 percent of shipments. Given lower exchange rates exports should be in the 40 percent range, as they were not too many years ago. About forty-five percent of the shipments are of parts and accessories. ATMA has received the President's "E Star" Award for continued export service to the industry.

The industry is one of small businesses. The number of firms is less than 600, 25 percent producing original equipment and the remainder concentrating on supplying parts and accessories. Most of these firms have fewer than 20 employees.

It is my understanding that today's hearing is for the purpose of determining the degree of helpfulness rendered by the Trade Adjustment Assistance Program. I am pleased to be able to come before this committee and tell you that the programs have been and are extremely helpful to the textile machinery industry. I will attempt to outline for the committee several examples of specific cases in which invaluable assistance has been provided and we hope, will be provided in the near term.

The Trade Adjustment Assistance Program for firms and industry (TAAP) has provided this industry association and its members some means to compete with the inequitable trade practices of off-shore textile machinery suppliers. With these practices, many government-sourced, off-shore competitors have penetrated markets at an amazing rate since 1960 when the U.S. textile machinery makers commanded 93 percent of domestic sales and 15 percent of the world market share. These shares have been halved in just 20 years. We seek technological and marketing parity, at least, equity.

Studies backed by the OTAA have provided analyses that examine this decline and recommend realistic methods to reverse it. Without this government backed program these valuable works would not exist. The industry and several firms have received high quality advice to compete technologically and in the marketing arena. The association, and many firms individually are following the marketing and technological advice borne by the studies. On this panel today are two firms which have experienced this assistance and you will hear their individual case story. In fact, one of the studies I will mention, served as a reference in the preparation of a program to assist these two companies.

I should point out at the outset that the studies that TAAP and ATMA undertook were a tripartite effort: government, industry and association. They were funded in part by federal dollars, in part by industry dollars and in part by in-kind expenditures. The studies have enabled the industry to look at its plant efficiencies, its marketing techniques, its research and development capabilities, and its technology.

Massive Global Reference Study

The first study to which I make reference was massive: "Opportunities and Strategies for U.S. Textile Machinery Manufacturers to Improve their Competitive Positions in Domestic and Foreign Textile Markets 1980-1985." This textile assistance project was accomplished under a grant through the Trade Adjustment Assistance Program for firms and industry. This seven volume (1,561 pages) report, partially funded by the Department of Commerce, has been used to adapt new textile business strategies. This report, commonly refered to as the "Werner Report" (Werner Management Consultants, Inc.), includes an executive summary, technical and marketing assessments, detailed analysis of 51 country markets, identification of key mills by address and product, and more. The study could be considered a bench mark survey of world textile machinery manufacturers. Informed business decisions are the best decisions, and this study enables business leaders to make informed judgments.

Financial resoures to make this study were not available within the textile machinery association itself. The Trade Adjustment Assistance Program made the difference.

High Technology Study

The second study to which I want to refer concerned a cooperative agreement between the American Textile Machinery Association and the U.S. Department of Commerce, International Trade Administration, Office of Trade Adjustment Assistance. The long term goal of the study is to ensure that U.S. technological advances are applied by U.S. manufacturers and that machinery producers are state of the art. Three project tasks were outlined in the study: defining potential needs, identifying possible resources, and developing a tentative structure for an institute or similiar mechanism to coordinate high technology research and development. This study has sparked a two-pronged effort to increase the application of high technology to the production of fiber, textiles and apparel.

At the present time ATMA is in the process of preparing a final proposal to OTAA for substantial funding to pursue: first, a foundation for research and development; as well as, second, a demonstration project as recommended by the study. Recently, an editorial by ATMA President David M. Gessner, in the widely-read Southern Textile News explained the significance of the proposed foundation's first project that has we believe, a high probability of success. The editorial read:

"The recommendations are clear. Technology exists in other fields that could be transfered to help automate the textile fabric inspection process, from greige goods through apparel. Although it would be done in defined phases over several years, the total cost is predicted not to exceed $6,000,000 to $7,000,000. A permanent high technology Foundation would be created to administer this project and then, subsequently, similar joint efforts.

"If fabric inspection expenses could be reduced only 10 percent, or $60,000,000 per year, the return on investment would be spectacular. Or, if ultimately all fabric costs were reduced one cent per yard, the resultant savings to the American consumer would be $200,000,000 per year.

"The firms that presently supply inspection equipment to the U.S. textile industry are small for the most part, with individual company sales in this area probably less than $6,000,000 annually. Thus, individual research & development efforts exceeding one year's related sales volume are unlikely. A cooperative approach is called for in this instance."

This is why we must have OTAA funding; to fulfill this project and develop others through the proposed foundation, which eventually, will be self-sufficient.

Global Report on Product Liability

A third study, just completed in 1984, is a multi-industry international product liability assessment partially funded by the Department of Commerce, Office of Trade Adjustment Assistance. The effort involved five cooperating industries that supply machinery. The five participating national associations were: ATMA, the Food Processing Machinery and Supplies Association, the Packaging Machinery Manufacturers Institute, the Pulp and Paper Machinery Manufacturers Association and the Wire Machinery Builders Association.

The study evaluated product liability experience of th industries, reviewed current and projected insurance sit compared legal systems in the U.S., Japan and Europ recommended measures affected industries may take to reduce e and costs. The 400-page report was prepared after several mo primary and secondary source investigation in the U.S., Ja several European countries. Its purpose was to provide info that will assist domestic manufacturers to become more comp globally. The purpose was met as we are certain many of the of recommendations are now being considered and acted u companies and associations.

Conclusion

Assuming that the textile machinery industry successfully und the technological and marketing recommendations that these suggest, and positions itself to improve sales at home and the sales will not be consummated if the U.S. private and public banking sectors continue their current practices. The U.S. textile machinery industry simply has insufficient resources to compete with the financial practices of other nations. This may be the most crucial factor affecting the competitiveness of the in world wide. This fact underscores the importance of the Adjustment Assistance Program for firms and industry.

Industry executives who have monitored the various studies' progress have said the world wide technology and marketing assessments and the detailed market identification go far beyond any resources available to them. In fact, some industry marketing executives have told ATMA staff these studies bear out the wastefulness of past studies privately commissioned by them in the past, draining their human and financial competitive resources.

The comparative technological and marketing assessments finitely reveal areas of weakness and strength, by product segment, and by world market, and in so doing, recommend corrective actions.

I think it is probably appropriate that one measure of a study's cost/benefit value is to weigh total expenditures against the number of U.S. textile machinery establishments. While the substantial majority of the 640 U.S. firms produce parts and supplies, as opposed to complete machines, these studies have a bearing on the future of all. The Global Reference Study provides data and a focus that is simply impossible for the vast majority of firms to fund or require other than by a collective approach. The total cost of just this first study, the Werner report, equates to less than $650.00 per company, and again, this is a billion dollar a year industry.

Another factor to consider in deliberating OTAA retention is the national security. Textile machinery is considered a critical industrial sector; that is, an industry which produces a product considered essential to the defense needs of the U.S. and its industrial base. The committee must be aware that the U.S. textile machinery (and apparel machinery) industries are on their knees. To wit, a May 10, 1984 report by the International Trade Administration stated that among 92 critical U.S. industries, textile machinery is among the top 10 being trade injured. We are an industry of small businessmen, fiercely independent free traders who traditionally do not seek the public trough. And yet, more than twelve of our companies have been forced by international competitive circumstance to seek and receive trade impact certification under the Trade Act of 1974. To free traders this is demeaning, perhaps a last step to avoiding demise.

Can our national defense, let alone our economy, afford to abandon these employers and their employees? Our work force has been more than halved in 20 years!

One thought that I would like to leave with this committee is that the Trade Adjustment Assistance Program for firms and industry is making a positive contribution. These studies are being used and reused as reference points. This type of assistance not only needs to be maintained but increased.

Chairman GIBBONS. Mr. Young.

STATEMENT OF E.T. (BUDDY) YOUNG, VICE PRESIDENT, PIONEER DIVISION, ELLISON CO.

Mr. YOUNG. Thank you, Mr. Chairman.

Gentlemen, I appreciate the opportunity of being here this morning speaking on behalf of my company and the assistance that we have received from the TAAC Program.

The Ellison Co. Pioneer Division was founded in 1934. Until November 1984, we had been Pioneer Heddle & Reed Co. That was the company which we first initiated contact with TAAC.

Our product line which we manufacture here in Atlanta is specialty items sold for weaving machinery, harnesses, heddles, and reeds.

Most of our sales in the past have been to the U.S. domestic textile industry, yet in the early 1970's, we were exporting maybe 20 to 25 percent of our product line through the Draper Corp., which is an American loom manufacturer, at which one time they enjoyed maybe 18 percent of the world loom textile market.

Back in the early 1960's, the European machinery and Japanese weaving machinery manufacturers started making inroads due to more efficient and better productive weaving machines. At that time in the early 1960's, there was about 400,000 we referred to or called the fly shuttle looms.

Now it is estimated to be around 125,000 fly shuttle looms. There is about 60,000-odd high speed weaving machines now introduced into this market, practically all have been purchased either from Japan or European weaving machine manufacturer.

As a result, our company which had mainly been suppliers to the U.S. weaving machine companies in our own domestic market, we were behind in our product line. It required that we associate ourselves closely with the foreign engineering departments of these weaving machinery companies, which was a language barrier and a distance. We had some catching up to do, and in the meantime the replacement market, selling to textile mills our harness frames and heddles, particularly those two, because of the surplus of our equiment that was put on the used market. Any time you buy a new weaving machine it eliminates two and a half to three of the old weaving machines, so it put a surplus of our product which was in still good serviceable condition on the market. As a result our sales declines about one-third.

Congressman Fowler asked earlier of the Tech folks how was the outreach. I read in the Southern Textile News an article about TAAC, and if anyone had ever been import-impacted I felt like that we certainly would be a qualified company.

I contacted them by phone and made an appointment, and they came out and we talked about TAAC. We made an application and then we became certified, and they wanted to start a diagnostic study and, frankly, we had never dealt or invited any type of government agency to come in and try to help us run our business. We had some people who wondered how much redtape and how much bureaucracy is going to be involved in this.

Well, most of us, being Georgia Tech people, felt like, well, if Georgia Tech was associated with it that would be fine, so we had our appointment, and who comes but a man from Auburn University and a lady from University of Georgia, so I thought, "Good gracious, what are we getting into?" But, seriously, it worked out fine.

We were certified, our diagnostic study, our implementation began. It was determined that we needed help in engineering, we needed to be able to accelerate the development of an upgraded product line for high speed weaving machinery.

The allocation for that type of work was $80,000 of a total of $130,000. Then we needed a standard cost system. We had always been reasonably confident of our cost, but with the impact of the strength of the U.S. dollar competing against other foreign currencies, it was very rare that you could just get a normal price structure for a priced item, so we had to really find out for sure where we stood costwise, so we completed our standard cost system.

This amounted to about $20,000 in the diagnostic review, and then where whereas my responsibility has always been in the past more or less sales, and I thought we had a good sales organization. I had really been humbled to the point where I figured we really needed some help in an evaluation of our industrial marketing position, so $30,000 of the moneys were allocated for that.

We were successful in finding a man who is now fully employed by us as our chief engineer or in charge of engineering. We hired a man who had had some experience in high speed weaving, he came to us and helped us develop a product line which certainly was upgrading our capability to make additional sales.

Our cost system was put onstream, having hired the consultant to come in and help us develop a standard cost system, and then in the industrial marketing survey we interviewed, or this consultant interviewed all of the weaving machinery manufacturers that had U.S. offices.

In addition, he had an indepth interview with 21 of the leading textile firms here in this market, so we talked to our salesmen, we talked to our people, and I feel like that it really helped to begin to turn things around for us.

We were faced with making a large expenditure of this amount of $130,000. Our company paid 28 percent, the Government paid 22 percent—no, 28 percent—what would that be? Seventy-eight percent.

I do not know that we would have not done anything, but obviously, we were not in a good strengthened position as far as generating a lot of profits to put money back in the business.

We had never borrowed any money and we had used up our cash surplus, we had reduced our fixed overhead costs by 25 percent. And yet, we were still faced with a real struggle.

Fortunately, we have landed a couple of nice orders and, as a result, in early 1984, which primarily promoted our development of a new frame and a new heddle, I will not get too technical, but it is a different type of reed used in high speed weaving which we did not have.

John Ellison, president of the Ellison Co., approached us January 1984 realizing that we had made an impact on the development of new harness and heddle design. He happened to have been investing in the reed business and had his operation in Greensboro, NC, and Charlotte. He approached us about buying Pioneer Reed Co., and what he had is what we needed, and what we had is what he needed, so we got together and he made a fair purchase proposition. We approached our stockholders and they agreed to it.

November 27, 1984 we sold Pioneer Heddle & Reed Co., to the Ellison Co., and there was a lot of synergism involved we feel like will be making us both stronger, and to make it simplistic we are going to try to make two and two add up to five.

I have a lot of confidence in our capability and in our people. The U.S. textile industry probably, in my opinion, is as true a free enterprise as anything I have ever seen.

What has happened, though, two companies that I have always tried to hold up as a benchmark and emulate, one is Delta Air Lines, which is here in Atlanta, is one, I think, fine company, and the other one is Greenwood Mills, which I have personally called on for a long time.

Since 1978 Greenwood Mills has spent or capitalized over a quarter of a billion dollars on modernization, increasing productivity, increasing their quality standards. Their sales, however, are off 20 percent. They have 2,080 fewer people, and the imports of fabric from that time has increased from 1.3 billion pounds to 2.7 billion pounds, and the dollar volume effect has gone up from 8.7 billion to 19.4 billion.

Now, TAAC helped us, and I am grateful for it. But I cannot tell you that businesses like ours will continue if our industry is not healthy, and this I realize might be a little bit off, but I understand you all had a meeting yesterday, and you do not know how much I appreciate it, as a citizen.

Chairman **Gibbons**. We had a meeting yesterday and we are going to have a number of more meetings with the industry.

Mr. **Young**. Thank you.

Unless you have some questions, that pretty much highlights what I had to say.

I appreciate this opportunity.

Chairman **Gibbons**. We will come back to you after we hear from Mr. Kennedy.

[The prepared statement follows:]

STATEMENT OF E.T. (BUDDY) YOUNG, PIONEER DIVISION, ELLISON CO.

The Pioneer Division of the Ellison Company was originally founded in 1934. Previously the company was known as Pioneer Heddle and Reed and produced a line of fabric loom accessories, primarily loom harnesses, heddles, and reeds.

Sales of Pioneer are primarily to U.S. textile manufacturers although in the early to mid 1970's, the company exported 20-25 percent of its production. Historically most production was for Draper looms which held a majority of the U.S. market and 18 percent of the world loom market.

In the mid 1960's European and Japanese weaving machines began to be purchased by U.S. textile mills. At that time the U.S. Textile Industry had approximately 400,000 fly shuttle looms, practically all of these looms were manufactured in the U.S. by either Draper Corporation or Crompton and Knowles. Today there are approximately 125,000 fly shuttle looms and 60,000 imported shuttleless weaving machines in the U.S. It is anticipated that the fly shuttle looms will decrease to 55,000 by 1990. The hi-speed loom market should be 3,500 new machines in 1985. One new shuttleless loom replaces 2.5-3.0 fly shuttle looms.

With this shift in the loom market, the market for accessories for new Draper looms evaporated and even the replacement market for Draper harness frames, heddles and reed has rapidly eroded. Pioneer's sales dropped one-third in dollar volume between 1979 and 1982. Pioneer responded by employing a consultant to assist us in reducing production costs, fixed overhead cost, and reviewing our marketing strategy. Our break-even was reduced by 25 percent, but, we still had much to do to turn our business around. We were uncertain of our costs, and knew that we had a product-line that was rapidly becoming obsolete.

I read an article about TAAC in the Southern Textile News. I contacted SETAAC by phone and made an appointment with a staff member. He explained the program and started the certification process. Our management, at first, was skeptical about dealing with the government, and was concerned about how many strings would be attached. Despite concerns, I felt that the TAAC program was designed to help companies that found itself in our predicament; import impacted, in need of improved quality product line at the lowest possible cost. We knew that by 1985, 80 percent of potential markets would be for products that we had not developed.

Knowing that SETAAC was sponsored by Georgia Tech helped us to make a decision on the program since many of the management were Tech graduates. However, the diversity of the staff that worked with us was impressive with SETAAC staff members from Georgia Tech, Auburn, Georgia, Tennessee, and Virginia represented in our case.

After a Diagnostic Analysis which helped to define our problems and opportunities, Pioneer was approved by the Office of Trade Adjustment Assistance to receive assistance on a cost-shared basis with the firm paying approximately 28 percent of the following projects:

- Engineering assistance to develop a competitive product line - \$80,000
- Design of a standard cost system - \$20,000
- Industrial marketing assistance - \$30,000

Engineering assistance involved consulting from an experienced textile machinery engineer who was experienced in looms and accessories. This engineer has provided harness frame designs on most of the new European looms and has worked with the manufacturers to establish Pioneer as an OEM approved source for harness frames and heddles. Beyond the original project scope, this engineer has been able provide field service support and manufacturing support. In fact his services have been so useful that Pioneer has offered him a permanent position with the firm.

As noted, we needed to develop better production methods and develop our standard cost system. The U.S. dollar was now much stronger so we faced strong competition from Europe due to the economic advantage plus their close working relationship they enjoyed with the loom manufacturers. A local consultant was hired to develop this cost system. This project has been very successful. The system that evolved has allowed us to price very competitively on recent large loom projects against intensive European competition. Without the cost system we never would have been sure enough of our variable manufacturing costs to submit a successful bid. We have recently won two large harness frame orders using this cost system as a basis for our bid.

Last, we needed to improve our marketing strategy. Our consultant surveyed all weaving machine companies at their USA offices, twenty-one corporate headquarters of the leading U.S. textile firms and traveled with our salesmen, as well as interviewing our plant and office personnel. A marketing plan was developed and implementation was begun immediately.

For 1984, Pioneer established a mild recovery with sales increasing approximately 15 percent from our low point. Importantly, the company operated near break-even, a major accomplishment. For 1985, initial sales increases forecast have been revised downward, but again we will operate at our above break-even with approximately 60 employees. What initially appears as a lackluster 1984/5 period is in fact commendable given the extremely poor position of our customers, the domestic textile industry.

Recently, Pioneer was acquired by the Ellison Company which is also a manufacturer of loom accessories, but is primarily a reed manufacturer and did not manufacture harness frames. Pioneer had recently developed a feasibility study to determine the best option for manufacturing tunnel reeds (a new design product for shuttleless weaving). Large amounts of capital would have been needed that would have required Pioneer to borrow heavily for the first time in our history. Instead, John Ellison, Jr. (owner and president of the Ellison Company) was so impressed with Pioneers new product line and turnaround that he has bought Pioneer and merged the two companies with synergistic effects. The company now offers a complete line of reeds and frames. I will continue as Vice President of Sales for Ellison and I am confident our new company will be viable because our comittment is to offer value to our customers with outstanding quality and service.

After seeing its positive effects first hand, I would like to see the TAAC program continue. I also feel that our U.S. Textile and Apparel Industry is being treated unfairly. There appears to be grave violations of import quotas. We should not allow this industry to be 'sold out' and have to rely on imports!

STATEMENT OF EUGENE M. KENNEDY, PRESIDENT, WHITIN ROBERTS CO.

Mr. **Kennedy**. Thank you very much, Mr. Chairman.

My company was founded in 1931, although I was not there the first day, but I have been there ever since. I would like to address the questions that you asked. I have given a written submission.

Chairman **Gibbons**. Yes, sir, it will be in the record.

Mr. **Kennedy**. You asked why textile machinery or textiles in general are debilitated by imports.

Chairman **Gibbons**. The machinery side. You know, the Congress sees the textile industry is not only always asking for protection, but at the same time they are asking to lower the tariffs and restraints on importation of machinery, and it is sort of——

Mr. **Kennedy**. I would admit that that gives me a problem, too, as a manufacturer of machinery.

Chairman **Gibbons**. Yes, sir.

Mr. **Kennedy**. However, be that as it may, I believe one of the answers to your question is the strong dollar, not today's strong dollar, but the artificially strong dollar immediately after the Second World War.

Everybody wanted to earn dollars, so to begin with, the export incentives were put in place all over Europe and in Japan.

We did manufacture for years in Germany. We could get an extra 3 percent, 3.6 percent export incentive, and also forgiveness of the 3 percent turnover tax if we exported. We sold a lot of machinery in Belgium, Holland, France, but not in Germany because it was a matter of earning the dollars.

I think on the one hand everything that stems from that to encourage people to manufacture high quality equipment, to earn those dollars, stems from the natural flow——

Chairman **Gibbons**. My old age helps me. I remember so well when the American soldiers were saving the world from communism that we deliberately overvalued the dollar in order to stimulate that infrastructure in Europe and Japan. The trouble is, we forgot we did that.

We deliberately overvalued the dollar, and it took us until 1970 to get out of that predicament. In the meantime, I guess that is what happened here, the program was successful, but because it was not seen in the legislative process everybody forgot it was there, and we really did a lot of damage to ourselves because of that overvaluing.

Mr. **Kennedy**. Well, oddly enough, with the overpriced dollar technology which is impacted today does help tremendously, because I think we overlook the fact that capital equipment machinery has four wheels to it.

It has got technology, value to the customer, it has got quality and responsibility of the manufacturer. Each of those could be enlarged on.

The technical aspect that we discussed with Georgia Tech in our own case, I just want to say to you, Mr. Pease, that we were not asked to say anything other than show up, and when you get as old as I am you figure you do not have to be any place you do not want to be, and I want to be here today.

Chairman **Gibbons**. I empathize with you. [Laughter.]

Mr. **Kennedy**. I think it is terribly important, and we began right off and a young man appeared after our request when we contacted Georgia Tech, Mr. Gary Doubleday showed up and explained the situation to us.

He made it quite clear this was not any kind of a giveaway program, you had to clean your own house up and clean it up for good.

The diagnostic analysis that he made of our company—now, we have only been authorized to go ahead with the program of engineering about 6 or 7 weeks, but in the meantime while he was doing his diagnostic study he opened my eyes to a lot of things that I should have been doing or other people in our company should have been doing as implemented.

We got a new material control manager, we got a new look at our costing system too, which is terribly important. We have a new look at the promotion of replacement part sales which is the backbone of anybody's business, particularly in this day and age, and it happened so in connection with the discussion that you had yesterday.

Even those mills you count on to buy 1 million dollars' worth of parts a year are not buying now to that extent because they are waiting to see what is going to happen, and I think they are right to do that, but that does take away our normal source of nourishment that would let us do this engineering that is so required, but just to carry on with what it is we are trying to do, in effect, we are now European to a certain extent that we want to earn dollars. We are all in competition for the same dollar, for today's dollar.

Now, in the textile mills and in the garment industry; this is not show and tell, but this is a piece of women's wear jersey made out of a pure wool.

The conventional method of doing that would be on what we call a ring spinning frame, it would make yarn at the rate of about 28 meters per minute delivery onto that package.

We have developed an American version of the technology called wrap spinning. This is a package of that yarn, it is made at about 150 meters a minute.

Now, we are finishing the design work on this because we think that this is one of the helps for the American textile industry to combat imports. Not only are we able to make a yarn 5 times as fast, or in the case of carpet yarn such as on this flooring 10 times as fast, we have enhanced the quality.

I am sure you gentlemen, as I, are not really fully appreciative of what knitwear, women's wear jersey is, but I will bet the ladies if they felt that would see that it is a magnificent piece of fabric.

Raw material made this way in the creel of the knitting machine costs about $5.60 a pound. You need 64 of those packages to make such a garment as this.

This was a much finer yarn that had to be plied. This we make right to the final specification, also a cost saving. The $5.60 a pound can be brought down to about $4.05 a pound, making a superior quality.

Now, we are not the only ones in the world. We are the only ones in America and we are using the Georgia Tech or the Department money in connection with this study.

I think we are authorized about $92,000, 40 percent of which we paid, 60 percent the Government paid.

We think it is an enormous help to us. We think it will be an enormous help to the industry because it will help them compete, and this is a high-priced item. These dresses in Bonwit's or Sak's would be anywhere from $250 to $300 ready to wear and much of that material now is coming from abroad, always has, but this is a better quality merchandise that we think we can make available to the American industry.

In the area of carpet yarns or almost any utilization of any fiber that has two ends to it we believe this new technology is going to be important.

Now, normally we would want to undertake this ourselves, but with the cutdown, the downturn in part sales which, in any company, when that goes you can tell it is not there. People have become very sentimental about money nowadays and they are not spending it, but the point is they will if they are given the tools. If they are given the assistance, so we believe our Department of Commerce Trade Adjustment Assistance Program is only a beginning.

I, for one, believe that its total funding I suspect cannot be as much as maybe one fighter plane, and I would rather deal with a couple less fighter planes and do with more basic help.

Chairman **Gibbons**. A couple of toilet seats.

Mr. **Kennedy**. Are there any ladies here? Really, we have great hope in this. We know we have to do things ourselves. American industry is not going to be given anything it should not be, unless they realize however that there are some things, however, that you cannot give yourself. And as it is now, but with an idea and a dream and with a department of our Government helping us to realize that, I think the Government will get its money back in employment, in income taxes and everything else.

[The prepared statement follows:]

STATEMENT OF EUGENE M. KENNEDY, PRESIDENT, WHITIN ROBERTS CO., CHARLOTTE, NC/SANFORD, NC

The Whitin Roberts Company, of which I, Eugene M. Kennedy, am President, is located in Charlotte, North Carolina, with Manufacturing facilities in Sanford, North Carolina. I am a citizen of the United States and a resident of North Carolina.

The Whitin Roberts Company is a combination of the Whitin Machine Works, established in 1931 in Whitinsville, Massachusetts, and the Roberts Company, organized in the early 1950's in Sanford, North Carolina. The Whitin Company was a manufacturer of a complete line of textile machinery for cotton, wool and worsted yarn spinning requirements. The Roberts Company, prior to the merger, specialized in spinning equipment for cotton and worsted fibers.

The Whitin Machine Works was acquired by White Consolidated Industries, Inc., in 1966. The Roberts Company was acquired by White Consolidated upon emergence from bankruptcy in 1974. The two companies were merged in 1977.

The product line has been considerably reduced from the full line capability and, at present, we are manufacturers of spinning equipment for worsted yarns, as well as cotton and blended yarns. We also have the facilities for modernizing existing ring spinning equipment. We manufacture replacement parts to support the equipment running in the United States and abroad.

At its peak, as an autonomous manufacturer of textile equipment, the Whitin Company employed upwards of 4,500 people. Similarly, Roberts Company employed as many as 1,800 people.

As recently as the 1970's, the two companies combined had upwards of 1,500 people.

The reason for the decline from the peak years to the 1970's had to do with the reduction in the product line, which was decreed in the face of offshore competition which had lower prices and newer technology.

During the 1970's, before the world-wide acceptance of the new spinning technology, the company enjoyed a considerable overseas market and ranged in dollar sales between $30 and $40 million dollars per year.

However, by 1978 the new open end spinning technology had taken hold, not only in the developed countries but in the underdeveloped countries, and sales of ring spinning equipment diminished rapidly. This has resulted in a diminishing employment as follows:

1979	613 Employees
1980	572 Employees
1981	403 Employees
1985	184 Employees

The 1979 - 1981 employees should be adjusted by about 50 who were involved in another division having to do with the safety products industry.

The company sales for 1983 were $12,254,000 as compared to $11,768,000 for 1984. Hopefully, 1985 will produce sales of $11,400,000.

The combination of the strong U.S. dollar and our technology deficiency in spinning, results in the complete disappearance of our overseas market. This was predicted and has taken place.

We have elected to try to serve the domestic market with a new technology called Wrap Spinning. We will be the only manufacturer of this equipment in the United States. We launched our program on December 1, 1982.

The program has produced a great deal of success in the first phase of this technology, which is involved with carpets, upholstery and decorative yarns. A great deal remains to be done in this phase, as well as for phases two and three, which will impact the cotton staple, as well as the worsted apparel industries.

Diminishing sales, however, have impacted cash flow at an alarming rate and we do not have all of the available funds to do the work needed to advance this technology.

Recognizing the need and having heard of the Trade Adjustment Assistance Act, we contacted Georgia Tech to inquire as to our eligibility for assistance.

Almost from the very first contact, this has been exceptionally rewarding.

In the preparation of the customary analysis of our current condition, our principal point of contact was Mr. E. Gerry Doubleday, who made an outstanding assessment of our company situation. While he recognized the advantages to be gained in the pursuit of the technology for which we had applied for assistance, he did highlight the necessity for better concentration on the manufacture of our principal product (at this time), which is replacement parts for the industry. Specific recommendations ensued which we are in the process of adopting:

- Minimizing repair parts delivery and quality problems through the recent hiring of a new Production Director whose primary duties will involve revamping quality control procedures, improving delivery schedules and refining estimating and costing procedures.

- Definition of additional repair parts markets by the recently hired Director, Marketing and Sales.

- Definition of target markets for existing and future Whitin Roberts textile machinery by the Director, Marketing and Sales.

- Realignment of sales personnel to put further emphasis on the repair parts business, in addition to target marketing of new equipment developments.

- Reconfigure the recently fielded carpet yarn wrap spinning machine into a machine for woolen and worsted yarn applications.

- Develop new high speed spindles for second generation wrap spinning machines that will increase productivities 50% and improve overall machine replacement economics.

This analysis provided by the Georgia Institute of Technology Center helped us shape strategy to earn additional funds from our ongoing parts business during the revampment of our technology.

Our current strategy is to improve on the suggested improvements.

The outcome of the preliminary study of both our companies and the projected technology was the approval by the Department of Commerce of a program of Engineering support totaling $92,150 for continued development of the wrap spinning concept for woolen and worsted yarns. Wrap spinning for these yarns promises to eliminate two preparatory operations in addition to increasing production speeds by a factor of 4-6. Commerce's participation in this development program will help us in bringing this machine to the market place in a much more rapid time frame.

We are assured by our American customers that home grown technology will be supported provided, of course, it is available and productive.

As noted earlier, we have already benefited from the observations made by the GIT study or our existing facilities and existing technology.

A third, and very important reason to assume the success of the Trade Adjustment Assistance Program, is the success which has already derived from similar programs long in place on the continent of Europe.

It has been well established that superior technology is essential to the preservation of American industry.

Chairman **Gibbons**. You know, my congressional district is not one that has ever been noted for its huge industrial enterprises or anything. We have a lot of small businesses and a lot of small business people, but it is a very productive one, and some very successful innovations have come out of that.

I know from my own 33 years of campaigning going in and out of offices and things like that that about the only adviser the businessman has is his trade association, and that is usually a pretty good adviser, but you know, all of it is made up of his competitors, and, two, is his friendly banker who will lend him enough money to get him in trouble but never enough to get him out. That is what we used to say when we would take them to bankruptcy court.

I think, you know most of the small employers in my area could have profited by someone coming in and just critiquing their business for them.

I remember in the Army after every battle we always critiqued it, sometimes self-critique, sometimes somebody else critiqued it for us, and I think that is the whole part of the process to have somebody like Georgia Tech come in with its noted expertise and its impartialness—my people could use it. They know better accounting systems to use, they know better cost control systems to use.

I think you are very brave for having admitted that perhaps you were not the best sales manager that the company needed anyway, that the process changes.

After all, your role is a manager, not a salesman. I can see a lot coming from this kind of self-examination that brings in someone else and, of course, the thing that always disturbs me, and I do not want to make Mr. Frenzel mad over here, he is a good friend of mine, but if this thing was in the Foreign Aid Program, we would not have any trouble at all.

We can teach foreigners how to do these things, but we have sort of a reluctance to help ourselves. We do not ever get anything back from those Foreign Aid Programs except some ingrates. I support this program.

Mr. Pease.

Mr. **Pease**. Mr. Chairman, I think you have really put your finger—along with the distinguished members of this panel—on the value, the real value of the TAA Program for firms.

I would like to ask Mr. Young and Mr. Kennedy, if you had not heard about the TAA Program, about the TAAC and the sort of consulting services they can provide, where else could you have turned for that kind of service?

Mr. **Kennedy**. I think I would probably have looked at this new concept of what they call R&D consortiums where the investors will come in and put the money up for you to do the R&D, but then they get a whopping percentage of the profits that come from it.

OK. You have made the technology, but you have not really earned the money to address the other things that you need to do, and it would be a good thing for them.

I did talk to a few people about that. When the TAAC Program came to my attention, I decided I would do that first because the chances are, if we do it well, then we would be in control and be able to utilize the profits we make on the new technology to do other things that need to be done. But, that is in answer to your question. That is where we would have looked.

Mr. **Pease**. OK.

Mr. **Young**. Mr. Pease, before Tech we had already employed a consultant who was working for us 1 day per week helping us primarily in industrial engineering functions, helping us to analyze how we could do our job more efficiently, and where I think the TAAC Program helped us was helping to accelerate this change that we knew that needed to take place.

I am not saying that we would be out of business had it not been for TAAC, I am thinking the transfusion of an outside fresh approach and a real economic bargain to us helped us make a decision that we could get help quicker and help to recover better through the assistance of a program like TAAC than if we had to do it independently.

Mr. **Pease**. Mr. Chairman, I will not ask any other questions, but as I hear these panel members talking, it brings back more and more memories of my own experience owing my own business a number of years ago.

I owned a company which had maybe 20 employees. It was a printing company, and how well I remember we were busy trying to operate the company, trying to do all the things that a manager/owner of a small company has to do.

We did go to our conventions and hear general presentations, but they were never specific enough to do us a whole lot of good. We did try to do a little reading, but it was not easy to keep up on the reading, and when we needed help with cost accounting or marketing or whatever the idea of going to consultants was there, but it was not a very viable option for us. We did not know exactly who to turn to, we did not know who the consultants were.

If we were doing poorly in a given year, we wanted to make darn sure if we invested $5,000 or $10,000, we got a lot for it, and we were not sure that any given consultant would do that and not lead us into a lot of money being spent without any given result, and the result was we never got around to looking up the consultants.

This was back in the old days of letterpress printing.

I remember joining an offset printing association purely because they offered their members a consulting service for cost accounting, and it just opened my eyes to have someone come in and do that for us.

I just think an awful lot of small businesses are in that situation. The owners are up to their eyeballs in the normal problems that they have and are not sure where to turn. The real advantage of the TAAC may be first of all, a one-stop consulting service, they can direct you to marketing or engineering or whatever you have to have, and that it is not involved, it is not in itself a profit-making organization which is out to gouge you or associated with your competitors and all the rest of it, so I really am grateful to you for helping to illuminate that point about the value of TAAC.

Chairman **Gibbons**. Thank you.

Mr. Frenzel.

Mr. **Frenzel**. I would like to ask a question which is really off the point, but it is important for our committee. You indicate that you believe that your exports as a percentage of your shipments would be nearly twice what they are today if the exchange rates were at a little more normal equilibrium. Do you want to comment on that?

Mr. O'BRYON. Thank you.

To expand on that point I think that what we are finding is that our companies go abroad to sell our machinery and in effect put a surcharge on their products because of the strength of the dollar, and while I think that is not only affecting our industry I think what you are going to get is an overview approach that you all are taking on this, and it is just so difficult. You go in and it is like adding another 50 percent on to what our machine is going to sell for.

Likewise, when we get over there we are also competing with other companies which may also be receiving secondarily government, their own foreign government-backed R&D support. These are the kinds of things we are running into.

Mr. SCHULZE. Can I interrupt you there for a second? Do you have personal experience in this? Have you gone overseas? The reason I ask you this is we were in Switzerland some months ago and I had dinner with a manufacturer's representative over there, and I said, "Tell me about the problems you have been having with the overpriced dollar," and he said, "The people that are complaining about the overpriced dollar you will find are in the United States." He said, "Those of us who are here, yeah, things are a little tighter, but" he said, "our sales are continuing. You have to hustle a lot more." That is why I am asking, have you been over there——

Mr. O'BRYON. I just came from the annual meeting of the American Textile Machinery Association and, Gene, I know you were there as well, if you have any comment.

Mr. SCHULZE. I am looking for somebody to counter what he told me.

Mr. O'BRYON. I will certainly provide for the record additional comments that might be able to help document what I was saying.

Mr. SCHULZE. You are not in the sales end?

Mr. O'BRYON. No, I am not in the sales end myself, but this is what everybody—we had a marketing roundtable and this is what everybody was saying.

Mr. KENNEDY. Mr. Schulze, if I may address myself to your question. A lot depends on the technology you have. Years ago in the 4-to-1 Mark or Swiss Franc to the dollar in my particular company we had some technology that was brandnew and almost exclusive, but not quite.

We were able to sell it in the days of a much stronger dollar against weaker currency because of the value concept which was one of the four wheels on my machine, and that is that the value concept in relation to the quality of material produced, the productivity within an 8-hour time, the number of people you needed to employ. Fewer than he had with the existing technology; we could do it. You could do it today. We will sell this overseas too.

Now, it is not going to be as easy as it used to be, but technology is extremely important to us. In our own case, the manufacturer of ring spinning has given way to what is known as open-end spinning and the air-jet spinning. The open end came from Czechoslavakia, not a free enterprise country.

They did it to earn dollars. How much money the spent to do it only the Czechoslovakians know, and they may not know. If they had to work with a P&L situation and a board of directors they may not have persisted, but they did.

The Japanese have an air jet that is a little bit better and I am sure if you are familiar with the industry, it supported their efforts to earn dollars.

We do not have that technology and when you are trying to sell a ring spin against an open-end frame, you have got to be a better salesman that I am apparently to do it because the technology is not there, but when it comes to this wrap spinning we have two German firms, an Irish firm up in Belfast, and there will be an Italian somewhere along the line pretty quick, not to mention the Japanese. Nevertheless if you have got a reputation over the years for delivering quality, you have got to sell capital equipment as if you are going to make a friend out of the user.

If you do a good job for them, I have seen the case where you do not even have hotel bills the next time you go because they want to take you home. You have made them a lot of money.

That could be done again and, yes, Mr. Schulze, if you do not have technology you can weep hard about the strong dollar. If you have it, the strong dollar is something you have to cope with. But I would not rule out going after the technology just because of the strong dollar, because the right thing will happen in the long run with this country.

Mr. **Schulze**. I yield my time.

Chairman **Gibbons**. I want to thank you all for coming. We would like to spend a lot of time talking with you, but I think we have gotten the gist of your testimony and we have some other people we want to hear from this morning. We appreciate it.

Mr. **Young**. May I ask, I have one bulletin that would not necessarily be appropriate as far as the official record for TAAC, but this is something that was prepared by Greenwood Mills management informing their employees of their situation and their plight which in certain ways I think would be a very interest reading. It is factual, it was prepared by them and I would like to leave it here for whatever good it may have.

Chairman **Gibbons**. Yes, sir, we will take it and consider it for incorporation into the record.

Mr. **Young**. Yes, sir. Thank you.

Chairman **Gibbons**. Thank you very much. I ask the staff to pick it up.

Next we have Mr. Harris Johnson, director of Burlington Technical Services Industries. We have got one of your new products here, sir, the nonleather briefcase.

Mr. **Johnson**. It is denim. You are very fortunate to have that. It has not been my pleasure to be handed one of those.

Chairman **Gibbons**. I appreciate anything anybody gives me for free, especially when it is useful.

Mr. **Johnson**. They do make excellent zips.

Chairman **Gibbons**. The next thing that will happen to us is that the leather people will come in and say they have been impacted. At least they will not be able to blame that one on the Japanese.

Go right ahead, sir.

STATEMENT OF HARRIS L. JOHNSON, DIRECTOR, BURLINGTON TECHNICAL SERVICES CO., BURLINGTON INDUSTRIES, INC., ON BEHALF OF THE TEXTILE/CLOTHING TECHNOLOGY CORP.

Mr. **Johnson**. Good morning. I am Harris Johnson, director of Burlington Technical Services Co., a part of Burlington Industries. I am before this subcommittee in my capacity as program administrator for the Textile/Clothing Technology Corp., a not-for-profit company incorporated in the State of New York. Originally formed as the Tailored Clothing Technology Corp., its central mission is to advance the productivity of the domestic apparel manufacturer through research and development of automated apparel equipment, so we are somewhat different from the previous panel members in the material that we would like to put before the committee.

Now, TC-Square is made up of labor and management representatives. As I pointed out, it is a not-for-profit company whose sole purpose is sponsoring research and design to increase the productivity of U.S. apparel manufacturers and their employees.

Increased productivity is essential if the apparel industry is to survive the onslaught of rising apparel imports from low-wage, less developed countries which are displacing the products of U.S. manufacturers and causing enormous job loss.

The organization was begun with a National Science Foundation study sponsored by the Department of Commerce and private funds. This research and development effort has produced dramatic results in a very short time through judicious use of available funds.

The research and development work to date has been accomplished by the Charles Stark Draper Laboratories in Cambridge, MA, and reflects the space-age expertise for which they are well-known.

The first phase activity was directed to automating a man's coat sleeve. The reason that was selected is because it is considered one of the most difficult steps in making garments. It is recognized that if that can be accomplished, the extension of automation to other elements in apparel would be relatively easy.

A prototype system has been developed and evaluated in a men's suit factory and deemed highly successful by union employees and factory management. Adoption of this system by industry is expected to provide better quality products, improved customer service, reduced inventories, lower raw material cost, increased job skill, and provide new opportunities for apparel employees.

Private sector members of TC-Square, as it is fondly known, include a coalition of fiber, textile, and apparel companies, as well as the Amalgamated Clothing & Textile Workers Union. The membership assures that all funds are directed to the research effort on a timely schedule.

I understand that this committee will be visiting the Russell Corp. this afternoon, and during that visit you will undoubtedly meet Mr. Eugene Gwaltney, a board member of TC-Square, who also serves as chairman of the technical advisory committee of TC-Square.

TC-Square is considered to be a unique blending of public and private segments in the United States which seeks to protect and improve the domestic apparel industry's competitive position. It recognizes that powerful resources are being brought to bear in other countries to develop similar programs.

For instance, in Japan, the Government, through bidding, plans to spend over $60 million in an 8-year period to develop high technology apparel automation systems. A similar program we understand is being initiated in Europe.

The impact of increased apparel imports in the United States from a level of about 10 percent in 1967 to more than 30 percent in 1984, has had a devastating effect upon the apparel industry's domestic fabric suppliers and related industries due to loss of approximately 500,000 jobs in apparel and textile manufacturing.

We privately estimate that an additional 500,000 job losses have been felt in related support functions in the general economy. A consulting firm has forecast that by 1990, unless this trend is arrested, there will be further import increases to 53 percent of the apparel sold across the retail counter. Obviously, our market is contracting daily.

This trend of imports taking over U.S. markets, which not only adversely impacts the textile and apparel industries and promotes the dislocation of supporting industries through its widening effect on the U.S. economy, can be slowed and perhaps reversed. TC-Square is dedicated to that end.

I would like to close with a recommendation, Mr. Pease. The contingent financial backing of the public sector is absolutely essential if the TC-Square Program and other programs are to meet their objectives of improving the productivity of the U.S. apparel manufacturers within the ever-narrowing window of opportunity available. Faced with increasing imports of apparel and a highly fragmented collection of small manufacturers, the apparel industry alone cannot effectively generate and devote the necessary research and development dollars to the technical task at hand.

TC-Square exercises a leadership role in apparel industry research and development and has dedicated time and management skill from its members as well as private sector funding. That strength is effectively doubled when matching funds are made available through the Trade Adjustment Assistance Program.

TC-Square urges the Committee on Ways and Means to support continuation of the Trade Adjustment Assistance Program.

Thank you.

[The prepared statement follows:]

STATEMENT OF HARRIS L. JOHNSON, DIRECTOR, BURLINGTON TECHNICAL SERVICES CO., BURLINGTON INDUSTRIES, INC., ON BEHALF OF TEXTILE/CLOTHING TECHNOLOGY CORP.

I am Harris Johnson, Director of Burlington Technical Services Company, a part of Burlington Industries, Inc. I am before this Subcommittee in my capacity as Program Administrator for the Textile/Clothing Technology Corporation, $[TC]^2$, a not-for-profit company incorporated in the State of New York as a 501(c)(6) firm. Originally formed as the Tailored Clothing Technology Corporation its central mission is to advance the productivity of the domestic apparel manufacturer through research and development of automated apparel equipment.

RECOMMENDATION

The continued financial backing of the public sector is absolutely essential if the $[TC]^2$ program and similar programs are to meet their objectives of improving the productivity of the U.S. apparel manufacturer within the ever narrowing window of opportunity available. Faced with increasing imports of apparel and a highly fragmented collection of small manufacturers the industry alone cannot effectively generate and devote the necessary research and development dollars to the technical task at hand.

$[TC]^2$ exercises a leadership role in apparel industry research and development and has dedicated time and management skills of its members as well as private sector funding. That strength is effectively doubled when matching funds are made available through the trade adjustment assistance program.

$[TC]^2$ urges the Committee on Ways and Means to support the continuation of the trade adjustment assistance program.

EXECUTIVE SUMMARY

Made up of labor and management representatives, the Textile/Clothing Technology Corporation [TC]^2 is a not-for-profit company organized for the sole purpose of sponsoring research designed to increase the productivity of U.S. apparel firms and their employees. Increased productivity is essential if the apparel industry is to survive the onslaught of rising apparel imports from low-wage less developed countries which are displacing the products of U. S. manufacturers and causing enormous job losses.

Begun with a National Science Foundation sponsored study in 1979 and now jointly funded by the Department of Commerce and [TC]^2, this research and development effort has produced dramatic results in a short time through judicious use of available funds. The research and development work to date has been accomplished by The C. S. Draper Laboratories, Inc. in Cambridge, Massachusetts and reflects the space age expertise for which they are well known.

First phase activity was directed to the automation of a man's coat sleeve which is considered one of the most difficult steps in making garments. It was recognized that success here would permit rapid extension of automation to other elements of apparel. A prototype system has been developed and evaluated in a men's suit factory and deemed highly successful by union employees and factory management. Adoption of this system by industry is expected to provide better quality products, improved customer service, reduced inventories, lower raw material costs, increased job skills and provide new opportunities for union employees. The developed portion of the system is now being readied for initial commercial availability in late 1986. Work is underway to design, build and test new components for sewing of other apparel elements all directed toward a unified automated system encompassing the most advanced technology.

The private sector members of [TC]^2 include a coalition of fiber, textile and apparel companies and ACTWU. The membership assures that all funds are directed to the research effort on a timely schedule. A [TC]^2 organization chart, attachment I, identifying essential responsibilities of member companies and a list of Fourth Year Program participants, attachment II, reconfirms the dedication of these business leaders to the [TC]^2 mission.

[TC]^2 is considered to be a unique blending of public and private segments in the United States which seeks to protect and improve the domestic apparel industries' competitive position. It recognizes that powerful resources are being brought to bear in other countries to develop similar programs. For instance, in Japan, the Government, through MITI, plans to spend some $60 million over an eight year period to develop high technology apparel automation systems. A similar program is being initiated in Europe.

The impact of increased apparel imports into the United States from a level of 10% in 1967 to more than 30% in 1984 has had a devastating effect on the apparel industry, its domestic fabric suppliers and related industries through the loss of approximately 500,000 jobs in apparel and textile manufacturing and it has been estimated that an additional 500,000 job losses has been felt in related support functions in the general economy. A forecast by a major econometric consulting firm shows that by 1990, unless the trend is arrested, there will be a further import increase to 53% and as many as 500,000 more jobs will be lost in the apparel and textile industries. An equal job loss in supporting functions and the general economy suggests that perhaps two million textile related U.S. jobs will be lost or placed in jeopardy between 1967 and 1990 as a direct result of growing textile and apparel imports.

This trend of imports taking over U.S. markets, which not only adversely impacts textile and apparel interests and promotes dislocation of supportive industries through its widening effect on the U.S. economy, can be slowed and perhaps reversed. $[TC]^2$ is dedicated to that end.

Further research and development work is proposed at an increased level of joint funding to expand the automation concept and enhance the capability of the domestic apparel industry. $[TC]^2$ strongly believes the success of this effort will help to assure the viability of the U. S. apparel industry with its more than 1 million direct jobs and the associated fiber and textile industries which directly employs more than 800,000.

Under the $[TC]^2$ not-for-profit charter income derived from residual rights in this research and development program will be dedicated to further research and development efforts to increase the productivity of the U.S. apparel employee. Continued Congressional support for this program under the Trade Adjustment Assistance Program will be necessary for the continuation of the successful coalition of the public and private sectors in this project. The importance of this industry to the U.S. economy warrants the continued participation of the government and private sectors in the future.

THE [TC]^2 DRAPER PROJECT

The magnitude of the adverse impact of imports on the domestic textile/apparel industry has been documented and examined in many forums and should be well known to the Committee; therefore, my purpose here is to focus on the origin of [TC]^2, its short history, its present status and the plans for the future and its impact, as presently projected, on the textile/apparel industry.

The goal of [TC]^2 is to introduce new apparel automation technologies in order to revitalize the industry and assist in the preservation of some 2,000,000 American jobs. Following is a brief history of this unique organization.

1979

The National Science Foundation sponsored a study by Harvard Professors Frederick H. Abernathy and John T. Dunlop, a former Secretary of Labor, which recommended a collaborative research and development program to find ways to utilize modern technology in manufacturing apparel to overcome traditional manufacturing methods still in use. These methods made the U.S. industry very labor intensive and extremely vulnerable to competition from low wage countries.

1980

Acting on the study recommendations, representatives of the Amalgamated Clothing & Textile Workers Union, the textile industry, the apparel industry and the fibers industry joined in forming a not-for-profit company for the purpose of sponsoring research into apparel automation. Since the initial focus was to be on automating tailored clothing manufacturing, the company was originally named the Tailored Clothing Technology Corporation or [TC]^2. The U. S. Department of Commerce agreed, through its Office of Trade Adjustment Assistance, to provide one-half of the initial funding. The other half was to be provided by the private sector through [TC]^2.

1981

To conduct the research and development project [TC]^2 contracted with The Charles Stark Draper Laboratory in Cambridge, Massachusetts. CSDL is known for their aerospace work and is in a unique position to bring leading edge technology from other areas to the apparel industry. Draper's assigned goal was to develop modular systems that would be generally acceptable to many varieties of garments. As a challenging first step [TC]^2 decided to automate the assembly of the sleeve of a man's suit coat. This was considered an important first step because the accuracy and flexibility needed for this complex, labor intensive operation is typical of many garment component manufacturing tasks.

1982

A feasibility prototype machine, attachment III, was developed using a moving belt to transfer cloth, a vision system to determine the position and shape of the work piece, and a movable sewing machine to sew any type pattern without hard fixtures or clamps.

1983

A major milestone was reached when the feasibility prototype was tested and evaluated in an apparel manufacturing plant, where it was run by a union operator. Meanwhile, Draper began designing an automatic fabric folding device.

1984

The automatic fabric folder was added to the prototype and a quality suit coat sleeve was constructed. This marked successful performance of the first task the project directors had targeted for automation. Based on this initial success private funding of the [TC]^2 project increased dramatically. The private sector provided $2.5 million which when added to the available $500 thousand from the Department of Commerce made $3 million available for the Fourth Year [TC]² Program at Draper. During this period the number of participants grew from the original thirteen (13) to sixty-two (62) by the end of 1984. Late in 1984 Congress approved a $3.5 million grant for the Fifth Year [TC]² Program (1985) which was then matched by private sector participants. With this increased level of support for 1985 Draper accelerated activity beginning a major effort to design an improved machine which could be made commercially available by late 1986.

1985

A machine, attachment IV, which can be adapted for commercial manufacture is now being assembled and tested. Four (4) machines will be completed at Draper Labs during 1985, three will be field tested in three different types of apparel manufacturing plants. The fourth machine will continue to undergo trials and refinement at Draper Laboratory. This improved system incorporates an automatic loading device, a lower cost robot arm and several other refinements which will increase the machines versatility.

PROGRAM STATUS

Technical

Two points have to be made when addressing the technical progress of the [TC]² work undertaken by Draper Laboratories. First, the combining of a number of leading edge technologies, often modified to meet specific needs, is permitting the continued evolution of a truly versatile automated apparel component assembly machine. Secondly, and we believe of equal importance, these innovations are finding new uses in the textile/apparel industry in their incorporated state. Use of this technology in the [TC]² unit has triggered the imagination of those close to the project and new independent unrelated uses are being made of several [TC] unit components. The successful fabric picker, permitting the selection of one layer of fabric for transport or manipulation, is often cited as a key innovation. Others include the vision system, the belt conveyor transport system and the high speed sewing head.

[TC]^2's Fourth Year Program had as its central focus the refinement of the initial prototype unit, attachment III, capable of making a high quality men's coat sleeve and to incorporate those refinements into the first generation low cost machines. That research and development effort concentrated on:

- Vision System Redesign
- Low Cost Robot Design
- Automatic Folder Design
- Automatic Loader Design and Fabrication
- Low Cost Sewing Module Redesign and Fabrication
  - Control System
  - Sewing Head
  - Powered Rotating Foot
  - Translator
  - Belt Conveyor Main Frame and Power Drive Train
  - Top and Bottom Belt Banks
  - Loading "Door"
  - Vacuum Table
  - Application Software

and dramatic progress has been made. It is, of course, impossible to invent and develop against a firm time schedule; however, Draper Laboratories' experience in technology development for highly sophisticated uses has permitted them to accomplish important advancements in a relatively short period. The initial low cost machine, attachment IV, is in the final stages of completion and should be operating at Draper Laboratories within the next six weeks as a continuing laboratory testing element.

Subsequently, the Fifth Year Draper Program will see the completion of three more units utilizing this technology. These machines will be placed in real manufacturing environments and actual production will be undertaken. One unit will be used as a coat sleeve manufacturing system, one will be used in a similar plant environment to manufacture a different component of tailored apparel and a third will be used to manufacture knitted fabric apparel or untailored sweat pants. This third unit actually combines the technical components into a manufacturing module almost twice as large as the first three machines. The extended use of these initial $[TC]^2$ units in manufacturing environments will enable members and the industry to view them in real working situations. The manufacturing firms utilizing the equipment will be required to thoroughly evaluate and document quality of produced components, efficiency, increased productivity and overall value as potential elements in their own manufacturing operations. Several initial users have indicated that they expect to provide a "showcase for $[TC]^2$ technology" for the industry.

As this activity continues an effort is underway to arrange with an equipment manufacturer a suitable licensing program which will further reduce the cost of the units and make them available on a fully commercial basis to U.S. apparel manufacturers. The manufacturer of these units will be expected to further refine and support the use of the equipment in the field. $[TC]^2$ expects to complete these negotiations in calendar year 1985.

Financial

Guided by the Board of Directors of [TC]^2 and its Technical Advisory Committee the project team at the C.S. Draper Laboratories, Inc. have made excellent progress. The research and development investment in [TC]^2 through the Office of Trade Adjustment Assistance and the private sector remains relatively small. To illustrate:

- o [TC]^2's Draper Program Year One cost was $450,000; Program Year Two cost was $750,000; Program Year Three cost was $850,000. All were jointly funded by the public and private sector with all monies devoted to the Draper activity. Program administrative costs were absorbed by the private participants under an "in-kind contribution" format.
- o Program Year Four was accelerated to capitalize on the technical progress of Draper and the private sector contributed $2.5 million. Added to the public sector's $500,000 this provided $3 million for the Draper [TC]^2 work. The private sector continued its "in-kind contribution" for administrative work.
- o The [TC]^2 Fifth Year Program has been allocated $7 million, provided jointly by the public and private sector, and will extend beyond the traditional Draper relationship to encompass other noteworthy technical innovations which can benefit from financial support provided through [TC]^2.

Sustaining a technical effort of this importance over several years is essential to its successful introduction into the commercial arena and will require continued participation of the public sector if we are to succeed.

Awareness

Coupled with the obvious value of technology advances in the equipment being developed and the anticipated by-products is a sense of purpose in this industry that has heretofore not been recognized. Even a cursory review of the participants in the [TC]^2 effort reveals leading bankers, paper suppliers, construction firms and small equipment manufacturers who have joined the concerned leaders of the natural and man-made fiber producers, the dyes/chemicals industry, the yarn preparation and textile manufacturers and the apparel manufacturers. Key management and financial participation continues from the labor union and the Department of Commerce. These leaders believe in the value of maintaining a competitive textile/apparel industry, have recognized its cost and have pledged their funds and time to that end.

A new appreciation has developed for the need to keep "Crafted with Pride in the USA" labels on a majority of the apparel sold across the retail counter in this country. [TC]^2 is a part of that activity, is dedicated to the improvement of productivity of the U.S. apparel manufacturer and its employees and sees its current effort as an important part of the action required to meet that goal. The textile/apparel industry, indeed the country, is faced with a current $16 billion textile/apparel trade deficit and must marshal its forces to combat the continued erosion of our basic domestic apparel manufacturing position. The domestic textile industry has initiated and maintained an industry-wide modernization program that has made it the most productive and cost effective in the world. Now is the time for the apparel industry to do the same.

Attachment I

TEXTILE/CLOTHING TECHNOLOGY CORPORATION

Board of Directors:

- R. J. Blair (DuPont)
- J. Copeland (Amer. & Efird)
- M. Crow (Stevens)
- J. T. Dunlop (Harvard)
- J. A. Fennie (Celanese)
- M. H. Finley (ACTWU)
- R. Flaherty (Allied)
- J. Forstner (DuPont)
- J. Gregg (Avtex)
- E. C. Gwaltney (Russell)
- R. Hamilton (Hartmarx)
- T. E. Hannah (Milliken)
- W. A. Klopman (Burlington)
- B. A. Leventhal (Burlington)
- D. McCullough (Collins & Aikman)
- J. Sheinkman (ACTWU)
- L. B. Shelton (Greif)
- D. Trogdon (Cone)
- E. Ward (Palm Beach)

Officers:

President and CEO	W. A. Klopman
Secretary	M. H. Finley
Assistant Secretary	B. S. Old [TC][2]
Assistant Secretary	J. D. Englar (Burlington)
Treasurer	P. R. Davidson (Burlington)
Assistant Treasurer	R. M. Phipps,Jr. (Burlington)

Executive Committee:
- W. Klopman, Chairman
- R. Blair
- M. Crow
- J. Fennie
- M. Finley
- E. Gwaltney
- R. Hamilton
- T. Hannah
- D. McCullough

Audit Committee:
- R. Blair, Chairman
- M. Finley
- L. Shelton
- E. Ward

Marketing Committee:
- D. McCullough, Chairman
- R. Blair
- E. Ward

Investment Committee:
- L. Shelton, Chairman
- J. Fennie
- M. Finley
- P. Davidson

Nominating Committee:
- J. Fennie, Chairman
- J. Sheinkman
- T. Hannah

Technical Advisory Committee:
- E. Gwaltney, Chairman
- F. Adamson (Russell)
- J. Cogan (Milliken)
- J. Cunning (DuPont)
- L. Frederick (C&A)
- A. Gonsalves (Palm Beach)
- G. Gunzberg (Hartmarx)
- L. Bjorklund (Greif)
- A. Hunter (Celanese)
- H. Johnson
- H. Lautman (ACTWU)
- P. Thomas (Burlington)

Executive Director: Bruce S. Old [TC][2]
Program Administrator: H. Johnson (Burlington)

P2:E2
1 March 1985

Attachment II

FOURTH YEAR PARTICIPANTS
[TC]^2 PROGRAM

Labor Union
*ACTWU

Textiles
Alice Mfg. Co.
American & Efird Mills
Atlas Yarn Co.
Avondale Mills
Brawer Bros.
*Burlington Industries
*Collins & Aikman Corp.
Cone Mills Corp
FAB Industries
Glen Raven Mills
Macfield Texturing
*Milliken & Co.
National Spinning Co.
Parkdale Mills
Reeves Brothers
*Russell Corp.
*J.P. Stevens & Co.
Swift Textiles
United Yarn Products Co.

Apparel
The Fechheimer Brothers Co.
*Greif Companies, Div. of Genesco
*Hartmarx Corp.
The Joseph & Feiss Co.
*Palm Beach
*Surgikos, a Johnson & Johnson Co.
West Mills Clothers

Dyes and Chemicals
Amoco Chemicals Corp.
Badische Corp.
BASF Wyandotte Corp.
Buffalo Color Corp.
Ciba Geigy Corp.
Dyes & Chemicals Div.,
Crompton & Knowles Corp.
ICI Americas
Mobay Chemical Corp.
Sandoz
Union Carbide Corp.

Paper
Dillard Paper Co.
Star Paper Tube

Fibers
Allied Corp.
American Enka Co.
Avtex Fibers
*Celanese Fibers Operations
*E.I.duPont de Nemours & Co.
Eastman Chemical Products
Monsanto Co.
PPG Industries

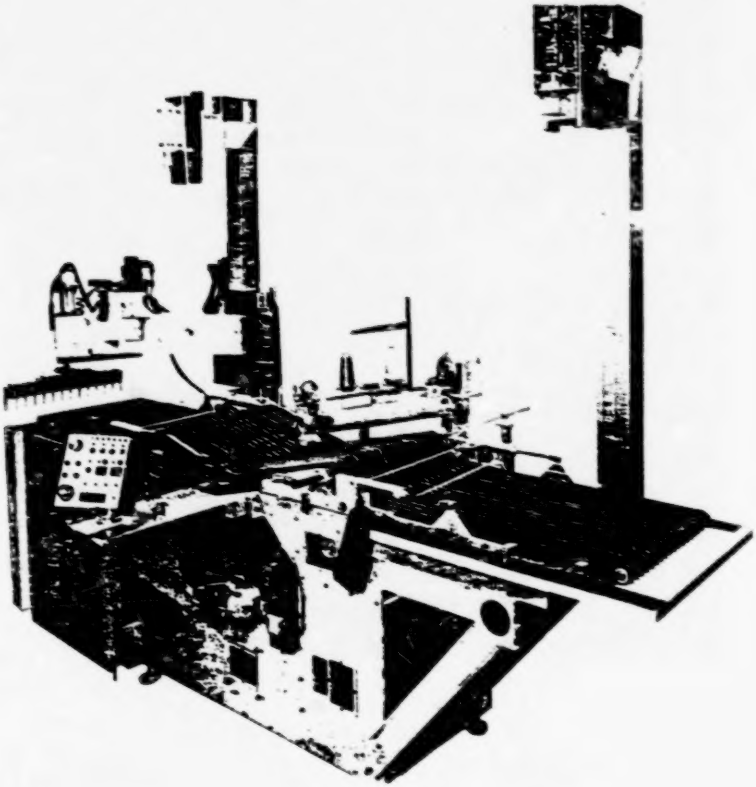
Equipment
American Dornier Machinery Corp
American Schlafhorst Co.
Gaston County Dyeing Mch. Co.
Keiltex Corp.
Morrison Textile Mchry. Co.
Saurer Corp. Textile Machinery
Steel Heddle Mfg. Co.
Stork Screens America

Banking
NCNB Corp.
Wachovia Bank and Trust Co.

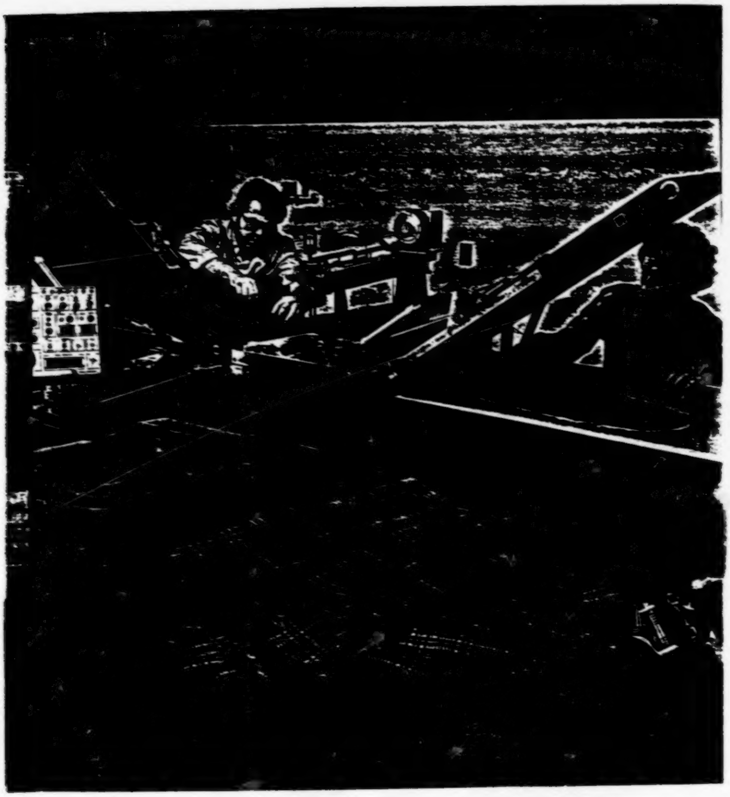
Other
American Sheep Producers Council
Cotton Foundation
Cotton Incorporated
Daniel International Corp.
National Cotton Council
*U.S. Dept. of Commerce

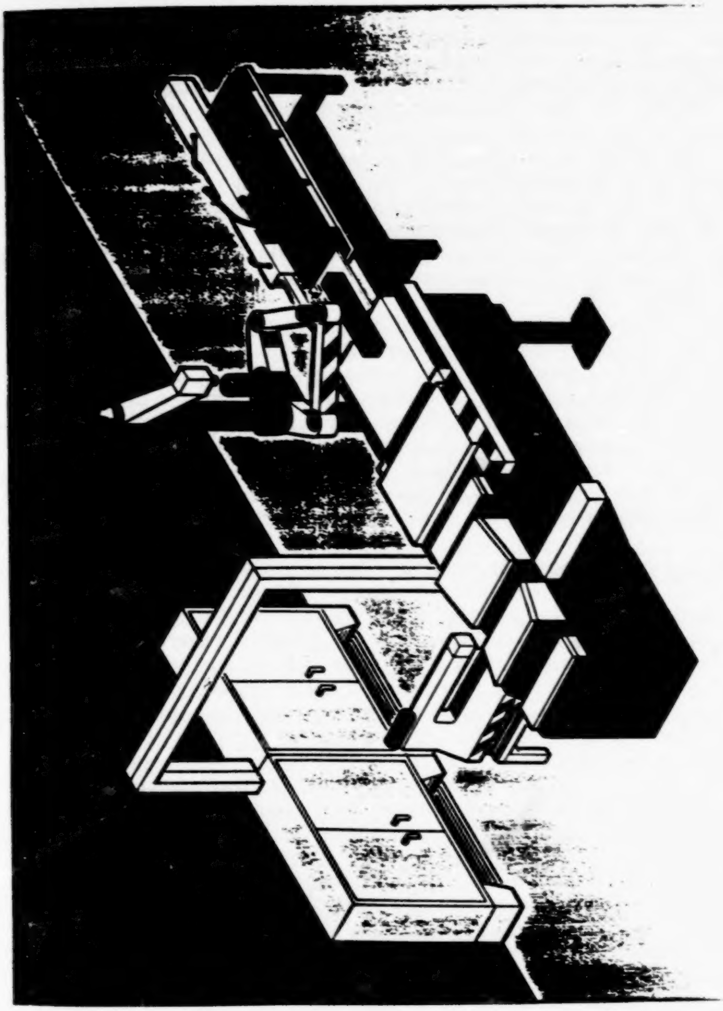
* ORIGINAL PARTICIPANTS

Attachment III



Attachment IIIA





Mr. **Pease**. Thank you very much, Mr. Johnson.

Let me explain why it is, again, that my colleagues had to depart. I think it is appropriate that they would depart while you were discussing the impact of Government-sponsored research in Japan. They are meeting now with a special envoy from the Prime Minister of Japan who has come over here in the last 48 hours specifically out of concern for the actions taken by Congress to express our dismay at the Japanese trade imbalance with the United States.

At any rate, let me ask you a couple of questions. I appreciate your testimony very much.

What is the amount of funding that TC-Square has received from the Trade Adjustment Assistance Program?

Mr. **Johnson**. I am not sure I have it dollar for dollar. But let me go back over the program years, and I think we can quickly add it up together.

The program at Draper specifically, which has been the central location for the research and development activity to date, is characterized by what we call program years, and TC-Square's Draper Program year 1 cost was $450,000 total, of which one-half was supplied by the Department of Commerce through the Office of Trade Adjustment Assistance. That is true with all these numbers.

Program year 2 cost was $750,000; program year 3 cost was $850,000. As I pointed out, all were jointly funded by the public and private sector, with all of these dollars devoted to the Draper activity.

Program administration costs were absorbed by the private participants under an in-kind contribution format.

Program year 4 departed from that tradition in the following manner: The results at the end of the program year 3 were so dramatic, and trials had taken place in an actual factory, that the private members gathered to review that progress and asked a very simple question of the people at Draper, and that question was "If you had more money could you move faster?"

And as the people in this room will agree, when you ask a research and development man that question the answer is always, yes; so the fourth year program was accelerated, capitalized on that, and the private sector committed $2½ million for the fourth year program.

The public sector had already agreed to contribute $500,000, so the fourth year program in total was $3 million, of which $500,000 came from the Department of Commerce through the Office of Trade Adjustment Assistance.

Again, the private sector continued, and in addition to its $2½ million of the $3 million, the in-kind contribution. Now, I have not added that up, but perhaps it is easy enough to do, but you can see that the private sector, I think, overshadows a bit that that has come from the Department of Commerce.

Mr. **Pease**. Which TAAC were you working with, Mr. Johnson?

Mr. **Johnson**. Sir?

Mr. **Pease**. Which TAAC were you working with?

Mr. **Johnson**. I am really unable to identify it. I should point out that the administration of the TC-Square Program shifts, traditionally has shifted every 2 years. The original administration and control was in Hartmarx, the suit manufacturer, about a year ago it switched to Burlington Industries; and our chairman Mr. Klopman, Bill Klopman, is now chairman of the TC-Square organization.

Mr. **Pease**. I see.

Mr. **Johnson**. And we did it directly from the Department of Commerce and the Office of Trade Adjustment Assistance, and in the first 3 years—I beg your pardon, the first 4 years the Department of Commerce utilized IPA as the organization through which the funds were provided to TC-Square.

The fifth year in an effort to have a more direct relationship, the program, the current program, in fact, has just begun, the TC-Square organization is dealing directly with the Office of Trade Adjustment Assistance in the Department of Commerce.

Mr. **Pease**. I see. I think I should have thought of that in the first place. This is an industrywide program and you are probably dealing more directly with the Department of Commerce than with any individual TAAC.

Mr. **Johnson**. I think that is correct, yes.

Mr. **Pease**. I think it is very interesting that you are talking about the Government of Japan is planning to spend $60 million over an 8-year period for an effort, I gather, somewhat comparable to what you are trying to do with TC-Square; right?

Mr. **Johnson**. Yes. We think it is comparable. They seem to have an approach which is more all-encompassing, that TC-Square would probably never undertake. The similarities, of course, are quite clear when you talk about automated apparel manufacturers.

Mr. **Pease**. In your opinion, what would have happened if there had been no TAAC funds available, if there had been no program of this sort?

Mr. **Johnson**. Well, I daresay that during the early period of time it would have had a much more difficult time. TC-Square would have had a much more difficult time being formed. In fact, the study may not have taken place, although the National Science Foundation obviously utilizes other funds for the original study.

The participation by the Government permitted a small group of original participants in TC-Square to generate and devote enough funds to be able to allow the Draper Laboratories to demonstrate their capabilities, and that demonstration has permitted TC-Square to solicit participation by other interested organizations, and, in fact, although the list originally included 10 or 12 people, it is now up in the 60's, in terms of participants.

Would it have gotten started? It is difficult to say. It certainly was a most important factor. I am afraid that is about as far as I can go in reponse to that.

Mr. **Pease**. I think that is perfectly far enough. I think it makes the point that the TAAC is sort of a catalyst, the seed money that really starts out a lot of big projects with a relatively small investment.

Mr. Johnson, I thank you very much for testimony, it has been very useful. We appreciate your coming this morning.

Mr. **Johnson**. Thank you.

Mr. **Pease**. Our next witnsses will be Mr. Paul Owenby, president of Owenby Manufacturing Co., of Blairsville, GA, accompanied by Mary Joe Mahan, head supervisor of the Blairsville plant, and

Pam O'Dell, sewing machine operator in the Andrews, NC, plant, and Mr. Charles Estes, associate director of Southeastern TAAC.

I am sorry, Mr. Estes is separate.

Mr. OWENBY. Yes. Mr. Eb Eagar has been added on the panel, he is vice president of operations in case we have any other questions of our company.

Mr. PEASE. We are very happy to have you here.

Mr. Owenby, why do you not just proceed?

STATEMENT OF PAUL OWENBY, PRESIDENT, OWENBY MANUFACTURING CO., BLAIRSVILLE, GA

Mr. OWENBY. My name is Paul Owenby, and I am president of Owenby Manufacturing Co., which is a family-owned business and has been in business since 1936. We make activewear shorts and knit shirts.

During the course of the years we formed a medical company, a medical products division. We were making, sewing sterile products for the operating rooms, and we have made these for the largest manufacturers in the United States, as well as our own line that we marketed ourselves.

In 1980 the firm embarked upon a marketing expansion program in both the apparel and the medical products divisions. The firm developed its own label for fashionable activewear; and in its medical division test marketed several products.

Apparel sales doubled in 1981; while medical sales increased 14 percent. That year the company made a $300,000 profit and employment reached a total of 511 people. However, imports competing with both divisions severely reduced Owenby's sales in 1982 by one-third, from $18 million down to $12 million, and we suffered a $300,000 pretax loss.

In 1984 imports of men's and boys' outerwear accounted for 23 percent of the total U.S. consumption. Between 1983 and 1984 imports of these products increased as a percentage of market share by 34 percent.

In the medical division, where the Owenby product line was retailing to the consumer or to the distributor at $59 a case, we were competing with $25 a case from imported sponges from the Far East.

We approached the TAAC Program for assistance, and they came in and pointed out three major areas to concentrate on in Owenby Manufacturing Co.'s problems: A marketing plan; the design, development and implementation of computer-assisted inventory planning and control systems; and the improvement of manufacturing productivity, which included first-line supervision, management skills and education of first-line supervision, and plant management in use of management control reports.

That is why we have brought these two women who are directly involved in the program.

During the development of this strategy it became apparent that the medical division could not continue due to increased price competition. And as of today, as we are speaking, I don't believe there is a domestic manufacturer of laparotomy sponges which is used in open cavity surgery in the United States.

I have a letter here from one of the largest, the second largest medical manufacturing company in the United States, and their volume has dropped from 18 million square yards down to 2 million square yards. They are still in the laparotomy sponges, however, they and their competitor, who is the largest manufacturer, are making, cut-and-sew all laparotomy sponges offshore.

During this time the market has more than doubled, and imports now amount to 60 million square yards of gauze which represents a 60-percent market share.

If I am not mistaken, Owenby was one of the last firms to go out of the laparotomy cut-and-sew manufacturing business of laparotomy sponges.

Now, we concentrated our efforts on the apparel industry which had the best chance of survival. During this time Owenby spent $267,000 for consulting fees and more efficient production equipment to help in this implementation of the plan. The firm also spent $196,000 to retrain the medical division and other operators to sew apparel products.

Owenby's total financial commitment recovering from import competition was approximately $463,000. The results of the investment by Owenby and the U.S. Department of Commerce are significant.

Owenby now produces basic men's and boy's garments for a national private label manufacturer. The small number of styles and longer, higher volume runs have made more efficient a previously dynamic and difficult to manage production environment. Overhead costs obviously have been decreased tremendously.

The computer-assisted inventory planning and control system allows us to monitor small increments of work in process, resulting in a 50-percent reduction in the production cycle. This is a very significant achievement in that it allows Owenby to produce a quick turn-around service that importers cannot provide.

Additionally, the improved inventory control system should facilitate expansion of sales of our own products which Owenby does intend to come back into the market depending on the import situation.

Improved production work methods, specialized equipment, more effective supervisory techniques, and working smarter through timely management control reports has greatly improved manufacturing efficiency.

Cost of goods sold as a percentage of sales were reduced from 83 to 75 percent. As a result of the improvement in cost of goods sold, projected savings of $400,000 will be realized in the 1985 fiscal year on sales of approximately $5 million.

Now, this company has come down from 551 employees to a grand total of 250 employees; from $18 million in sales down to $5 million in sales. So we feel like what we have done is stop the bleeding and salvage the company, and now we hope to rebuild it back up, and hopefully in 1986 and 1987 we will increase employment.

We strongly urge the support of the TAAC Program, as when a company starts losing money it is very difficult to find a bank or a banker who is willing to loan you money in order to hire consulting services or get technical assistance that all small firms need.

And with that I would like to turn it over to Mary Jo Mahan who is a supervisor, who went through the training program of the TAAC.

[The prepared statement follows:]

Statement of Paul Owenby, President, Owenby Manufacturing Co.

I. BACKGROUND

My name is Paul Owenby. I am president of Owenby Manufacturing Company, located in Blairsville, Georgia. I am a native Georgian and I have spent most of my working life at Owenby, working in all functional areas of the company.

Owenby Manufacturing Company was established by my family in Georgia in 1936, as a privately owned manufacturer of basic men's and boy's active sportswear, such as gym shorts and bathing suits. Thirty years ago the firm began producing sewn sterile operating products for use in major surgery. Until 1983 it operated three apparel plants and one medical plant.

In 1980 the firm embarked upon a marketing expansion program in both the apparel and medical products divisions. The firm developed its own label for fashionable activewear and in its medical division test marketed several product innovations and different channels of distribution. Apparel sales doubled in 1981 while medical sales increased fourteen percent. That year we made a $343,000 pre-tax profit and employment reached 551. However, imports competing with both divisions' products severely reduced Owenby's sales in 1982 by one third, from eighteen million to twelve million. The firm suffered a $300,000 pre-tax loss, which is a $643,000 reduction in pre-tax profits from the previous year.

By 1984 imports of men's and boys outerwear accounted for twenty-three percent of total U.S. consumption. Between 1983 and 1984 imports of these products increased as a percentage of market share by thirty-four percent. The $35 selling price per case for imported medical sponges, our primary medical product, outperformed Owenby's price of $59.

II. ASSISTANCE

In December, 1982 the U.S. Department of Commerce certified Owenby Manufacturing as eligible to receive Trade Adjustment Assistance.

Though the Trade Adjustment Assistance Program major areas of improvement were identified which were to bear materially on Owenby's recovery from loss of competitiveness with imports. These improvements were outlined in a strategic business plan developed jointly by Owenby and the Southeastern Trade Adjustment Assistance Center at Georgia Tech. It included the following elements:

1. A marketing plan which included the discontinuance of fashionable, style garments and the development of private label business for the production of long-run, high-volume basic garments.
2. The design, development and implementation of computer-assisted inventory planning and control systems.
3. The improvement of manufacturing productivity through more efficient production methods, development of first line supervisions' management skills, and the education of first line supervision and plant management in the use of management control reports.

During the development of this strategy it became apparent that the medical division could not continue due to intense price competition. We therefore closed the division so that all financial resources could be directed to becoming an efficient apparel producer.

The U.S. Department of Commerce approved the recovery plan and Owenby's request for technical assistance to help implement it. Owenby spent $267,650 for consulting services and new more efficient production equipment to help in the implementation. The firm also spent $196,000 to retrain medical division and other operators to sew apparel products. Owenby's total financial committment to recovering from import competition was $463,650.

III. RESULTS

The results of the investments by both Owenby and the U.S. Department of Commerce are significant.

1. Owenby now produces basic mens' and boy's garments for a national private-label manufacturer. The small number of styles and longer, higher-volume runs has greatly helped stabilize a previously dynamic and difficult-to-manage production environment. Overhead costs have decreased.
2. Our computer-assisted inventory planning and control system allows us to monitor small increments of work-in-process resulting in a fifty percent reduction in the production cycle. This is a very significant achievement in that it allows Owenby to provide a quick "turn around" service that importers cannot provide. Additionally, the improved inventory control system should facilitate expansion of sales of our own label.
3. Improved production work methods, specialized equipment, more effective supervisory techniques, and working smarter through timely management control reports has greatly improved manufacturing efficiency.

Cost of goods sold as a percentage of sales was reduced from 83 percent to 75 percent. As a result of the improvement in cost of goods sold an annual projected savings of $400,000 will be realized on 1985 fiscal year end sales of $5 million. In 1982, when we entered the program we lost $300,000. Today we anticipate our first profitable year since 1982. In 1986 we expect sales to increase to $5 ½ million and employment to increase to about two hundred seventy-five from two hundred fifty.

This turn around was greatly assisted by the efforts of the Southeastern Trade Adjustmeent Assistance Center which supplied the technical know-how. It organized a training program focused upon improving the production skills of our labor force and developing the management skills of first line supervision. The techniques used in the training program included on-the-floor training of production workers in the proper use of efficient motion economy principles such as simultaneous use of hands internal to machine operation and eye/hand coordination. Supervision received classroom instruction in the use and interpretation of analytical management reports and also participated in on-the-floor training focused upon improving the production performance of the labor force. The Georgia Tech personnel and students from Southern Institute of Technology hired by Georgia Tech to help in the training program established a fine working relationship with both labor and management. Their humanistic approach to improving overall operational performance was very successful.

Based upon my company's experiences, I can testify to this committee that the Trade Adjustment Assistance Program for firms adversely impacted by imports provides a very economic and desirable alternative to otherwise costly strategies directed towards offsetting foreign competition. We cannot conceive of any other way the company could have obtained the technical assistance necessary to make the improvements we have.

I strongly recommend to the Committee that this program be continued and included in the forthcoming budget.

STATEMENT OF MARY JO MAHAN, HEAD SUPERVISOR, BLAIRSVILLE PLANT, OWENBY MANUFACTURING CO., BLAIRSVILLE, GA

Ms. **Mahan**. My name is Mary Jo Mahan. I am head supervisor at Owenby Manufacturing Co.'s Blairsville plant and have been employed by Owenby for over 11 years. I am speaking today about the accomplishments of Owenby Manufacturing which were made possible by the Trade Adjustment Assistance Program administered by Georgia Institute of Technology.

As a consequence of lost business due to imports in both the apparel and medical divisions, Owenby closed the medical division and also the Ivey Log apparel plant in which I was employed. The prospects of full-time, gainful employment in our area other than at Owenby are small.

Many production employees were laid off due to the closings, while others were transferred to the Blairsville apparel plant where new products were being sewn. To become efficient, we needed to learn proper sewing methods and effective supervisory and management techniques.

Trade Adjustment Assistance enabled Owenby to hire Georgia Tech consultants and students from the Southern Institute of Technology to develop a supervisory training program which greatly helped us to improve overall manufacturing performance.

We learned how to interpret and use management cost reports which resulted in lower excess labor costs and how to identify common reasons for low incentive performance which enabled us to motivate our employees to improve their performance and pay.

As a taxpayer, I believe the use of Federal dollars to help companies such as Owenby Manufacturing are better spent than using these dollars to pay for unemployment and welfare which would result if trade adjustment assistance were not available.

I support the Trade Adjustment Assistance Program and encourage this committee to vote to support it. Thank you.

Mr. **Pease**. Thank you very much, Ms. Mahan.

STATEMENT OF PAM O'DELL, SEWING MACHINE OPERATOR, ANDREWS, NC, PLANT, OWENBY MANUFACTURING CO.

Ms. **O'Dell**. My name is Pam O'Dell, I am a sewing machine operator with Owenby Manufacturing Co. in Andrews, NC, apparel plant, and have been employed at Owenby for over 5 years.

Last summer the types of garment coming into the plant changed as a result of management's effort to produce garments less vulnerable to imports. Sewing performance decreased because we were unfamiliar with the new equipment and sewing procedures of the new garments. Georgia Tech consultants and students from the Southern Institute of Technology taught us more effective sewing methods which reduced handling time and improved our sewing speed, and so pay increased about 15 percent. The plant was also able to meet delivery schedules.

I understand that Georgia Tech's and Southern Tech's assistance were made possible by Federal funds through the Trade Adjustment Assistance Program which helps companies who have lost business to imports.

I believe this assistance greatly helped us at Owenby and also helped Owenby maintain employment at Andrews, NC. As an employee of Owenby Manufacturing Co., I support it in its struggle to fight imported clothing.

Mr. **Pease**. I appreciate very much the testimony of the panel, and I am glad you brought these two young ladies along with you today, because it shows that trade adjustment assistance is not only to management but the real dimension is that it keeps people working, keeps jobs on line.

Mr. Owenby, were you in the business yet 4 years ago of producing laparotomy sponges?

Mr. **Owenby**. Yes, sir, Mr. Pease. A laparotomy sponge is made of gauze material, it is used in open cavity surgery for them to sop up blood and pack internal organs. It is very, very superclean and it is regulated under FDA, which is one of the toughest Government regulations.

Mr. **Pease**. The reason I asked you is that 3½ years ago I had open heart surgery at the Cleveland Clinic, and I hope I had some of your laparotomy sponges inside of me instead of those cheap imports.

Mr. **Owenby**. I certainly hope so, too.

The problem with the imports is the domestic industry has to live under the FDA regulations, we have to have a very clean, very strict, very, very strict air control system, very strict cleaning system, very, very tight control on sterilization. On the imports they are obviously not under that restriction.

Mr. **Pease**. Sure.

Mr. Owenby, let me ask you; how did you happen to come in contact with TAAC?

Mr. **Owenby**. How I came in contact with the TAAC was one of our executives knew of the TAAC Program and called up Georgia Tech and started the discussion if we would be eligible for assistance.

Mr. **Pease**. If the TAAC were not in existence, if the TAAC Program were not on the law books, what would you have done? Could you have turned some place else? Do you know where you could have turned?

Mr. **Owenby**. Mr. Pease, when you take a firm that is losing money and you are scared to death to go out and hire consultants that you do not know, when you can approach a firm like Georgia Tech, that you have very much confidence in, that will direct you to the right person, then it makes you feel so much more at ease in order to spend that money.

The Government spent a portion of the money, but Owenby actually spent three times as much money as the Government spent in this program.

What I would have done is I probably would have very reluctantly found an independent consultant. Whether I would be here today or not, I do not know.

Mr. **Pease**. It may or may not have been the proper consultnat that you had?

Mr. **Owenby**. Absolutely. They are very difficult to find, the correct people.

Mr. **Pease**. OK. Well, again I thank you. It is a very good illustration for the benefit of this program and we appreciate all of you spending a good bit of your time traveling to get here on Easter weekend. It is a great service to the Congress, and we appreciate it.

Mr. **Owenby**. Mr. Pease, we thank you.

Mr. **Pease**. Next I am going to change the order slightly and ask a panel consisting of Mr. Harris Coller, president of Anderson Mills, Anderson, SC; Mr. L. Duncan Allen, Jr., chairman and president, and Mr. Duncan B. Allen, treasurer of Wikit, Inc., of La Grange, GA; and Mr. Jacob Barrocas, vice president/manufacturing of Injection Footwear Co. of Miami, FL, to come forward.

Mr. Coller, perhaps we will start with you.

STATEMENT OF HARRIS COLLER, PRESIDENT, ANDERSON MILLS, INC.

Mr. **Coller**. Thank you.

Mr. Pease, I am Harris Coller, and my family, or more correctly my wife, her poodle, and I, are responsible for the operation of, and we own Anderson Mills. Anderson Mills in Anderson, SC, was started in 1889 and has been in operation since that period of time. And has been primarily through that period of that time in buff cloth, in the manufacturer of buff cloth.

For clarification, buff cloth is that particular cloth that is used by manufacturers of buffing wheels, so it is a fairly heavy material and is used for abrasive purposes, and therefore has to be of sturdy, strong material.

This company in the 1960's was hiring as many as 1,200 people, and by the mid-1960's was somewhere around 1,000 people. In 1979, it was down to 350 people, and by the beginning of 1983, it was down to approximately 200 people.

Now, this entire thing came about as a result of competition from imports. They were running fewer and fewer looms because they had fewer and fewer places they could sell their products, and it was necessary because they were being priced out of the marketplace, or they were being priced—it was not because they were not willing to try to compete because in 1981 this mill was selling a particular construction of cloth for $1.15, somewhat less than it was doing earlier. And as of today we are selling that some cloth for 99 cents, so we are coming down, we are becoming more efficient. But as we come down the imports come down.

Now, in an effort to do something about this, when we got down to 200 people in the spring of 1983, I began—I assumed the responsibility to try to find a different line—and we went more heavily into Osnaburgs and kettle cloth, which was completely different than buff.

We met with some success, and we began to expand and started putting people on and were quite enthusiastic, but that only lasted about 7 or 8 months when suddenly in the first part of 1983, in January, we found that the market was flooded that particular month with light kettle. The same thing that we were manufacturing, identical to what we were manufacturing, at much less than what we could manufacture it for. But the following month the Osnaburg which was the other cloth that we were manufacturing was hit very, very hard.

I was in New York at the time when I found that down the street, Osnaburg, exactly the same as we were manufacturing, could be purchased for 67 cents a yard. And our costs then were around 69 to 70 cents just to manufacture it, so it was impossible.

I called back to the mill and I said, "Hey, stop buying, let us just stop running things out." And we began closing down. That was in February, and we had effectively gone out of business by the end of that month because we had no place we could turn to make sales, there was nothing else that we could do.

And except for the fact that the State of South Carolina came in to assist us, and the city of Anderson came in with some guarantees for loans, and a direct loan from the city, we were in a position where we were—when you talk about directly impacted, we were in a position where we could not even meet payroll—so it was the State of South Carolina that said to me, as we continued to stay in business for the next few months with relatively few people, that I should take a look at the TAAC Program, and from that I find myself still in business today.

Actually, I was advised in February, March, April, and through May, by any business advisors that I would come in contact with, those that came from the State, as well, by the accountant that was representing our firm, or rather was the CPA for the firm, and by our banker, "Get out of business, quit hurting people, it is getting worse and worse."

When the gentleman from TAAC came over and began to talk to us he gave us a different viewpoint, he rejected the no-hope outlook and he turned instead, saying, "Wait a minute, we can do something about this, let us check into this matter." And gave us a great deal of optimism.

We did join the program. We have cost the Government, I think, a relatively small amount of money. If I am not mistaken, the total amount of money that was involved with us was about $16,000, 25 percent of which we paid, so we are talking about some $12,000 in expenditure.

Before that period of time, if we consider where we were and where we are today, which is still in a bankrupt, semibankrupt position, we have been able to keep people alive, or working, more correctly, throughout those months.

We have followed the recommendations that were set forth in the diagnostic, and we have dumped out many of the old, or we have thrown away or are throwing away many of our old looms, Draper looms, incidentally, I heard a statement about Draper here, but we are replacing them with other Draper looms.

Now, we are more like the pilot fish that swims along with the sharks. We are not in there trying to get the best of the equipment, we are trying to get what is left over, the rejects. We can put it to work; and we can live very, very well.

These particular looms that we are putting in are costing us from $1,000 down, to as little as $100 to get hold of them and put them in. But based on the study that was done by TAAC we now know that we can save as much as 8 cents a yard by changing from the types of looms, or the type of loom, the E Model that was in our plant throughout all these years, to this other type of loom which is simply an extra and still an old model; and make ourselves that much more competitive.

Now, if we were able to come down from $1.15 a yard to 99 cents a yard, we felt that we were in pretty good shape as far as being able to be competitive because at that particular time the imports, more specifically the goods that were coming from Korea, was priced at 92 to 94 cents. Now this was information, which incidentally, I got from our own customers.

I felt that if we could be at 99 cents as opposed to 92 to 94 and we had rolled cloth as opposed to being—or cloth on rolls as opposed to flat bundles, the advantage to dealing with a local firm or a domestic firm was certainly something that people would take into consideration. But as fast as we come down they go down.

We are now in a position with the different looms to get it somewhere to where we can price ourselves in the low 90's, but just a few days ago or about a week ago I received a call from one of our customers, Jackson buff, who is a very, very large user of buff cloth, and he told me he had just received an offer of Red Chinese cloth through the month of July of this year, through February of next year at 80 cents a yard delivered here.

Now, this almost—you know, it is very, very difficult. How far down can we come? So we are running into that, and I think that it is essential that we follow the suggestions of the TAAC study and get other types of equipment which will allow us to move into different areas because it is going to be almost impossible for us to stay in buff along and continue.

There are some things that we still need, incidentally. I stated we have a relatively small amount of money that has been invested by the Government in this particular plant. We do continue to need assistance. We need to go further with the study that was done. And among the things that we would need would be a manufacturing engineering study to help us reduce our operating costs. We need to redo our costing system to be able to price more accurately.

Another thing that if we want to stay in buff cloth, one area in which—one thing we can do that has been pointed out to us is that we can finish our buff, and if we do—we now do gray cloth, and if we were to put in finishing equipment and finish the buff that opens up another area of the market that is not impacted by imports. To get this, of course, we need to do a study on it. We would certainly need to have some help on that.

And another thing is that we need to develop an engineering plan in order to reduce the amount of dust that we have in the air. This is not only for the health of our employees which is extremely important, but we cannot stay in business unless we can live within the confines of—or limitations set for by OSHA.

Last, we are in such poor financial condition at this particular time as a result of what has happened to us by the impact of imports that we need to secure more adequate financing. There is no way that we can go to a commercial bank. Of course, they do it daily, but there is no way we can go there and expect to get any assistance because we are in a—we have a negative net worth in our company.

That is where we are. We are staying in business, we are going to continue to stay in business, but we can only do that if we can get some kind of assistance, some financial assistance. We need this assistance for the acquisition of additional equipment, and we also need it to get ourselves out of the particular position we are in now for the equipment that we have bought.

One clarification on that is that we found that in order to stay in business we had to make a move, we did not have time to wait until we could provide some type of equipment.

I have financed through the persons who own the equipment, and I have financed through the State on temporary loans, or temporary loans that are State-guaranteed, this additional equipment. It is not a lot of money as might be considered here, but we are talking about something around $150,000 to $160,000. We did not have the money, but we are able to get assistance for that in the form of guarantees from the State which cannot last forever, and in the form of financing from the people who won the equipment reluctantly. So everybody is there to help us.

Now, we have already gained a great deal as I can see from our association with TAAC, and we would like to continue with the ideas that they have put forth, and we would like to continue with the adjustment plan they have set forth.

Now, I am positive that this would be instrumental in keeping us in business and in providing employment for the 200 people that we have now, and perhaps an additional 150 people in our area.

I think that I should point out at this particular time that those people who we have employed are not the ones who are likely to go back and be retrained in some other area, they are instead those persons who might be in their forties or fifties who have been working at the same job for a period of 35, 40, sometimes 45 years.

My secretary has been there 47 years. In our particular plant a number of them are unable to read or write. If those persons are removed from this particular type of industry and some idea of retraining them comes along, I think it is highly improbable that anything could take place.

I thank you for your interest.

[The prepared statement follows:]

STATEMENT OF HARRIS COLLER, PRESIDENT, ANDERSON MILLS, INC.

Anderson Mills is a textile fabric manufacturing company located in Anderson, South Carolina. The company was purchased by my family in 1983 from the Grendel Corporation of Greenwood, South Carolina. Previously Anderson Mills was a part of Abney Mills, at one time a major textile manufacturer. Anderson Mills has long been a part of the Anderson community; some facilities are approximately 100 years old.

Where the Anderson Mills facility once employed over 1,000 textile workers, employment now stands at approximately 150 with the plant operating at approximately 30 percent - 40 percent of capacity. The company's main markets, heavy sheeting and osnaburg fabrics have been heavily impacted by imports with import penetration of approximately 50 percent of domestic consumption.

During the first nine months after purchasing the company, Anderson Mills was operated by the former owners under a management contract. With severe mismanagement under this contract and a rapidly worsening import situation, the company lost approximately $764,000. At this time the management contract was terminated and a greatly reduced scale operation was continued. Virtually insolvent, the company applied for and received financial assistance through the State of South Carolina and the City of Anderson. The state, concerned about its investment, contracted with industry consultants to obtain recommendations on what actions could be taken to turn Anderson Mills around. These consultants were very pessimistic about the firm's chance of survival and what strategies to take. Fortunately, the State also invited SETAAC to consider the case and certification for TAA was initiated in June 1984.

The SETAAC Diagnostic Analysis process was begun in September 1984. The SETAAC consultant assigned to the case was textile familiar, but was more of a general consultant. He, in fact, learned about our business while on the case and developed options based on general business experience rather than a biased view of what an "ideal textile mill" would look like. The SETAAC consultant's diagnostic has helped us chart a course for our future, specifically.

- He determined basic strengths in our cost structure that allow us to operate profitably at operating rates well below industry norms. He determined that our wage and benefit structure allows us to be competitive with more modern mills.

- He determined specific cost improvement areas that will allow us to better the costs of more modern mills and to even match importer's costs. This will allow us to be more market competitive on present products.
- He analyzed new equipment options and their paybacks, recommending options that will allow maximum "bang for our limited bucks." One such recommendation involved installing used wide looms now in abundant supply. These looms will literally double our potential markets. Surprisingly, he found that operating costs were only slightly higher than new "high-tech" equipment, but are much better than our present looms.
- SETAAC recommended an aggresive pricing policy in new markets to attain higher volumes. In addition, SETAAC helped in contacting Wikit, Inc., a former TAAC client that manufactures industrial wiping cloths using fabric similar to ours. We are now supplying Wikit on a 10,000 yard per week basis and hope to extend this business in the future.

In general, the SETAAC diagnostic process served to consolidate our strategies and proved both to us and our financial backers that Anderson Mills (despite earlier losses) is a viable company. SETAAC's report is largely responsible for increases in our credit limits from the State.

Recent events have served to validate the findings of SETAAC. On one hand, Anderson Mill's reported an income of $343,000 during the last nine months of 1984. On the other hand, quota changes allowed unlimited imports to enter the country during the first quarter of 1985 and our sales fell precipitously although temporarily. This event served to highlight our market vulnerability as noted by SETAAC. Anderson Mills has already moved to reduce this vulnerability by the recent installation of used wide looms.

Anderson Mills hopes to move quickly on items highlighted in our Adjustment Plan. These items would be cost shared between OTAA and Anderson with the firm paying 30 percent of the cost. These items include:

- Process engineering to reduce operating costs, allowing us to better compete with imports.

- Revision of our costing system to allow us to price more accurately and competitively.

- Using an outside consultant to assist in locating additional used equipment for fabric finishing, further broadening our markets.

- Apply market research to determine potential new markets for our equipment.

- Development of an engineering plan to reduce cotton dust levels in the plant, insuring regulatory compliance and employee health.

Additionally, Anderson Mills has asked for OTAA financing. Given our relatively poor financial position, we are unable to secure adequate financing on equipment acquisition without governmental backing. Loan proceeds would be used to liquidate a short-term note on present equipment and to acquire new and used equipment that would reduce costs and increase potential markets.

Obviously Anderson Mills has already gained substantially from the SETAAC Diagnostic Analysis and looks forward to further implementing our Adjustment Plan strategies. We believe that the Trade Adjustment Assistance Program for firms is one practical, cost effective way to support a textile industry so devastated by imports. We recommend that this program be supported and extended.

Mr. **Pease**. Thank you, Mr. Coller. I appreciate your testimony very much.

Mr. Allen, would you like to proceed next?

Mr. L. **Duncan Allen**. Yes; thank you.

STATEMENT OF L. DUNCAN ALLEN, JR., CHAIRMAN AND PRESIDENT, AND DUNCAN B. ALLEN, TREASURER, WIKIT, INC.

Mr. L. **Duncan Allen**. Mr. Pease, we appreciate the opportunity to participate in your hearing here about the TAAC Program. Our firm, Wikit, Inc., is located in nearby La Grange, GA, and it is an industrial textile company engaged in the manufacture of shop towels, dust mops and other dust control related items that are used throughout industry for wiping, cleaning, and dust control purposes. Our products help keep the machinery of industry going, so to speak, throughout America, and we are nationwide.

The shop towels comprise about 85 percent of our product line, the others being dust mops and other related items. Shop towels are absorbent, usually made out of cotton materials that are used in industry for cleaning, as I said. And I have some here, which are good American products that we make, and then some here that are Chinese and Indonesian and Pakistani, and they do not compare, of course, to the quality, but there is about 40 to 50 percent price differential, and that is our main problem.

Our company was founded in 1969, however, and I, and many of our employees were associated for many years with a large textile organization founded in 1902; so we really are not new in the textile business. We have a very modern, highly automated operation with a lot of dedicated, good, solid, loyal employees, and our products are top quality as opposed to the imports, but despite this and the fact that we have very efficient, highly automated production equipment we just have had a very difficult time during the last 5 years, and this is all due to the entrance into our country of massive amounts of imports, at extremely low prices, that are subsidized by foreign countries.

It is the same story throughout our entire textile industry, just like Mr. Coller here has been describing to you, and we are being systematically destroyed by these imports.

The TAAC Program has been very helpful to us and beneficial to Wikit. And at this time I would like to ask the treasurer of our company, Duncan B. Allen, who happens to be my son, to summarize some of the items. He will take it from here.

Mr. **Pease**. Thank you, Mr. Allen. We will, as I said before, put your entire statement in the record, but we are happy to have your summary.

Mr. **Duncan B. Allen**. Mr. Pease, to give you some more information about our industry and the situation, for many years the import situation was not too much of a problem for us, it accounted for 20 to 25 percent of our total market, and the price differential was maybe 20 to 25 percent lower than domestic towels.

In the late 1970's and early 1980's, however, there was a tremendous influx of imported towels. Just to give you an example of one country, the Peoples Republic of China in 1977 brought in 420,000 of these towels; 4 years later in 1981 they brought in over 94 million of these towels, and there is a tremendous price differential also.

Instead of remaining at 20 to 25 percent less than ours, it increased to 40 to 50 percent less than domestic products; and it just is devastating to the domestic industry. And speaking for my company, our unit sales, our gross profit margins, and our profitability all declined during this period, and it was at this time we sought the assistance of the TAAC Program.

TAAC came in and did a diagnostic analysis in April 1981. The analysis covered all areas of our company and provided what we thought was an indepth report, and told us where we were not doing as well as we should be, and other areas where we were fairly strong.

So working with the TAAC Program we tried to set some strategy for combating the import problem, and we decided that one of the main things we could do is improve our gross profit margin which has been on a 3 year downward trend. And one of the ways to do this, we felt, would be to organize an engineering study in our plant to not only set standards, but review methods and workloads and see where we can improve our own efficiencies in our own organization. So we did this with the TAAC Program assistance, and this study was conducted from December 1982 through February 1983.

Our company provided 25 percent of the funds. TAAC provided 75 percent. The total program cost about $60,000.

The first year, the first full fiscal year of our company following this study, our gross profit margins increased and they reversed the 3 year downward trend, sales rose by 22 percent over the previous year, and we also returned to a profitable situation.

I would like to be able to say that the same is true at present, but unfortunately, as I mentioned previously, the imports are just coming in tremendous quantities, and in 1983, a total of 90 million towels were brought in. One year later in 1984, 160 million towels were brought in; a 78 percent increase.

Now imports are over 50 percent of the total market, and so for the first 8 months of our current fiscal year we are in the situation of sales being down 19 percent over the same period 1 year ago. And it is also interesting to note that our other products that only make up about 15 percent of our product line but are not affected by imports, they were actually increasing significantly during this period and the towels being affected by imports are down 19 percent.

I would just like to point out, it is a little bit ironic, I guess, in our case, that we are not able to compete price-wise with the imports because, speaking on behalf of the entire domestic industry that produces shop towels, we all have highly automated cutting and sewing equipment, it is not old equipment at all, it has been improved over the years where, I would say, all the domestic industry operates at rates of these countries that are exporting to this country.

Really in our own case we have gone beyond that and we have certain equipment that operates in excess of 500 percent faster than equipment being used in other countries. And yet despite these high production rates with the government subsidies in this particular line of items, and the interested firms or countries in obtaining the foreign exchange to buy high technology items, we are just having a terrible time competing.

In order to survive, looking down the road we are going to have to continue to source lower priced fabrics and even develop alternative type fabrics as our raw material. And the Southeastern TAAC Program has been helpful in both those areas recently.

They have helped us get in touch with another supplier of raw materials, a domestic supplier also impacted by imports, and they have also helped us in our search for alternative materials to use that might be low priced. So we feel that the TAAC Program is very good.

We have had a 4-year experience in working with them, we have found that all the personnel we have worked with, quite a number of people there, are very professional and they do an excellent job. It is a good service, we feel that ought to be continued, especially in light of the fact that the imports are so drastically increasing over the last few years.

[The prepared statement follows:]

STATEMENT OF L. DUNCAN ALLEN, JR., CHAIRMAN AND PRESIDENT, AND DUNCAN B. ALLEN, TREASURER, WIKIT, INC.

BACKGROUND

WIKIT is an industrial textile company engaged in the manufacture of shop towels, dust mops, and related dust control items. The firm was founded in 1969 and has operated in its present line of business since 1971. Shop towels account for approximately 85% of WIKIT's total sales with dust mops and other items making up the remaining 15%.

Shop towels are industrial wiping cloths used primarily for wiping machine parts and cleaning away ink, grease, oil, or other unwanted substances. They are usually purchased by industrial laundries which, in turn, rent them to commercial and industrial establishments. The product is manufactured from a loosely-constructed plain-woven fabric primarily made of cotton and known as osnaburg. The most widely used towel size is 18x18 inches, and the finished product is typically shipped in bales containing 2500 or 3000 towels. Almost all segments of U. S. industry utilize shop towels for wiping, cleaning and housekeeping purposes. The total U. S. market for shop towels is estimated at 300 to 350 million towels in 1984.

The domestic shop towel industry is comprised of three major manufacturers, and 2 or 3 smaller suppliers. WIKIT is believed to be the third largest domestic manufacturer of shop towels.

Imported shop towels, priced somewhat lower than domestic shop towels and originating primarily out of Hong Kong, had been sold in the U.S. for many years but never amounted to more than 20 to 25% of the total market. In the late 1970's and early 1980's the strong U.S. dollar coupled with the desire of third world countries to obtain foreign exchange for developmental programs resulted in a massive influx of imported shop towels on the U. S. Market (see Exhibit I). Shop towel imports from the Peoples Republic of China (PROC) realized explosive growth from 1977 to 1981, from 420,000 towels in 1977 to over 94 million towels in 1981 (see Exhibit II). The PROC share of total imported towels increased from less than 1% to nearly 83% during this same period, as their extremely low prices virtually drove all other foreign suppliers of shop towels out of business.

By 1981 imported shop towels had garnered approximately 40% of the U.S. market. The price differential between domestic shop towels and imports had increased to over 40%, with plain domestic towels selling for slightly above 15 cents each and imports selling for 9 cents or less each. WIKIT's unit sales, gross margins, and profitability declined during this period and the company qualified for assistance under the Trade Adjustment Assistance Program.

TAAC ASSISTANCE

The Southeastern TAAC office performed a Diagnostic Analysis and Recommendation report on WIKIT in April 1981. This report provided an in-depth objective review of WIKIT's strengths and weaknesses in the areas of finance, management, sales/marketing, and manufacturing. The marketing section of the report included a thorough and professional customer analysis including a telephone market survey, the information from which was most helpful in establishing future strategies.

Because of the severe price competition from imported shop towels, domestic manufacturers were unable to increase prices to cover cost increases. As a result, gross profit margins declined considerably. WIKIT is not a vertical textile operation and, therefore, purchases the osnaburg fabric used in making shop towels as opposed to manufacturing its own fabric as do the two largest domestic shop towel manufacturers. Consequently, WIKIT operates on lower gross margins than do vertical manufacturers and the declining margin situation was especially critical.

In an effort to combat the problems of declining sales, margins and profitability, management decided to direct its effort and resources in two major areas:

(1) Improving Gross Margin by:
  (a) developing new fabric constructions and sources that would provide lower raw material costs, and
  (b) institute an industrial engineering study of manufacturing operations to devise improved methods and establish new standards to increase productivity and efficiency.

(2) Increasing Sales and Market Penetration by:
  (a) adding additional sales personnel in areas of the country where coverage was limited, and
  (b) concentrating on value-added features such as custom printing, dyeing, bleaching, and pre-laundering.

On a long-term basis management identified a need to diversify its product line towards more highly-styled specialized products outside of the highly price-competitive industrial market.

In an effort to implement its immediate need of improving gross margins, WIKIT requested technical and financial assistance from the TAAC program. An adjustment plan was prepared during

1982 and in November of 1982 an engineering study was approved and commissioned to help improve overall operating performance through the establishment of improved layouts, workflows and methods; revised labor standards with appropriate wage incentives; timely management reports; and new quality control procedures. An experienced consulting firm was selected to perform this engineering project and the study was conducted from December 1982 through February 1983. WIKIT shared 25% of the cost of this study with the TAAC program funding 75%.

In the first full fiscal year following the engineering study gross profit margins reversed a three-year downward trend and rose to a four-year high. Additionally, sales increased by 22% over the previous year, also reversing a downward trend.

CURRENT STATUS

Largely as a direct result of the marketing and technical assistance received from the TAAC program WIKIT is in a stronger position to face the import problem. Unfortunately, however, imports of shop towels continue to flood the U.S. market. In 1984, the number of imported shop towels brought into the U. S. increased 78% over 1983, rising from 90 million towels to 160 million towels. Imports now account for over 50% of the total market and are gaining share daily. In the first eight months of WIKIT's current fiscal year ending June 30, 1985, sales of shop towels are down 19% from the same period a year ago. Sales of dust mops and other products that are largely unaffected by imports were up significantly during this same period versus a year ago.

It is somewhat ironic that foreign suppliers of shop towels are able to supply the U.S. market at lower prices than domestic manufacturers. All U.S. manufacturers of shop towels including WIKIT have high-speed automatic cutting and sewing equipment that operates at production rates of a minimum of 300% faster than methods used in the countries exporting shop towels to the U.S. It is believed by WIKIT, that certain of our machines are among the most advanced cutting and sewing equipment for manufacturing shop towels available anywhere in the world, operating at rates in excess of 500% faster than the fastest manual sewing techniques. In spite of these production rates, the combination of foreign government subsidies to textile manufacturers in certain countries, the extremely low wages in these countries, and the strength of the U.S. dollar, have given imported shop towels a significant, and we believe unfair, price advantage over U.S. manufacturers of shop towels.

BUSINESS OUTLOOK

Because of the continued strong price discrepancy between imported and domestic shop towels, we envision more difficult times ahead. Milliken & Co., the largest U. S. shop towel manufacturer, has been somewhat successful in pursuing anti-dumping and countervailing duty actions against several countries exporting shop towels to the U.S., the effect of which has raised prices on import towels to a small degree.

In order to survive in the shop towel business, WIKIT will need to source even lower-cost fabric in the near term. For the longer term, we will need to work towards developing alternative towel materials utilizing higher technology. In both of these areas the TAAC program has recently been helpful. Through the Southeastern TAAC office WIKIT was recently introduced to and has been working with a new domestic supplier of fabrics. Additionally, certain personnel from the Southeastern TAAC office have worked with WIKIT on exploring alternative materials for use in making shop towels.

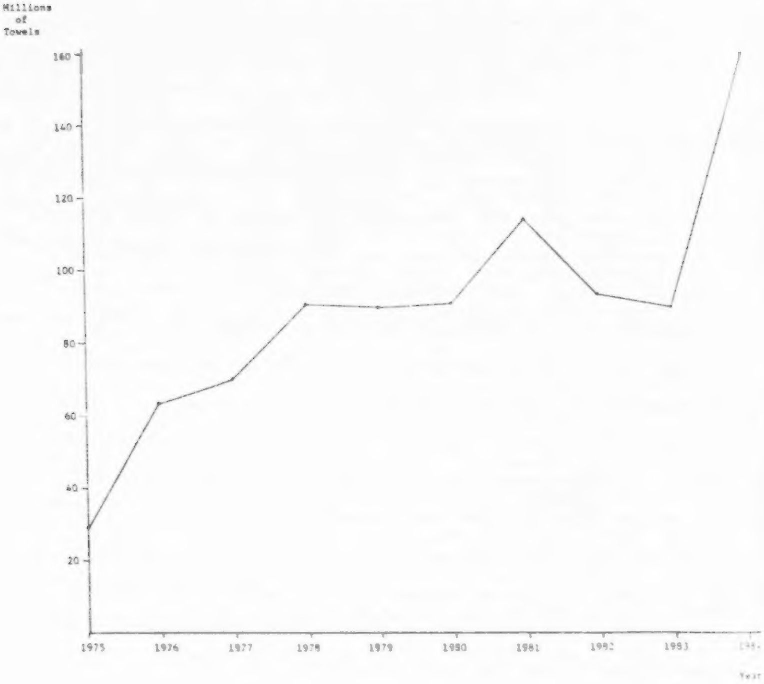
CONCLUSION AND STATEMENT OF SUPPORT

The TAAC Program came to the assistance of WIKIT during a critical time when the company was in danger of being forced out of business because of imports. They afforded marketing, strategic planning, and technical assistance that has proven most beneficial. In addition, Southeastern TAAC personnel introduced us to a new potential U.S. supplier who has also been impacted by imports. We are now working with that company and hope to be able to provide them with a portion of our fabric business. Southeastern TAAC has also advised us in exploring possible new materials for use in making shop towels.

Throughout our four-year experience of working with Southeastern TAAC we have found their personnel to be highly competent and professional. They have provided us with a great service and we would like to see their program continued. Due to the tremendous rise in imports over the last few years, it is our belief that this program is needed now more than ever.

EXHIBIT I

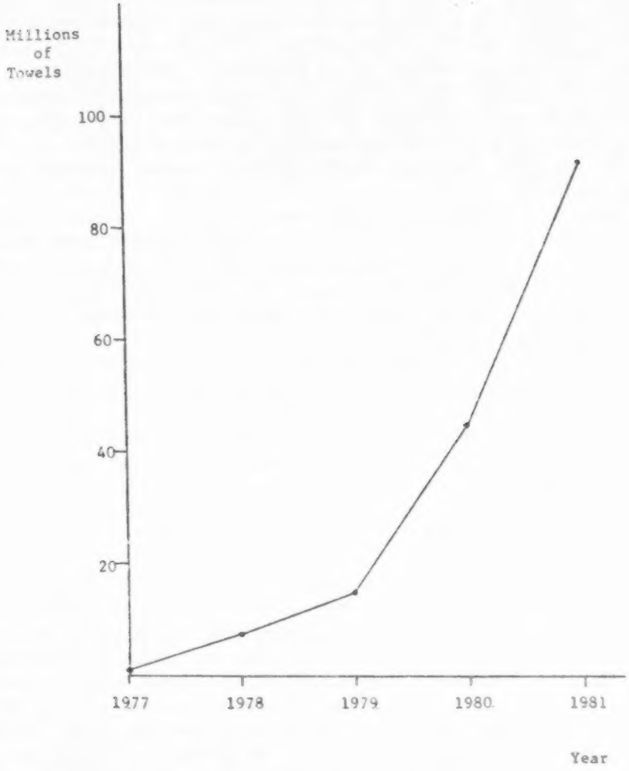
IMPORTS OF COTTON SHOP TOWELS FROM ALL SOURCES FOR THE TEN YEARS 1975-1984



Source: U.S. Department of Commerce data

EXHIBIT II

IMPORTS OF COTTON SHOP TOWELS
FROM THE PEOPLES REPUBLIC OF CHINA
FOR THE FIVE YEARS 1977-1981



Source: U.S. Department of Commerce data

Mr. **Pease**. All right. Thank you very much, sir.

Finally on this panel, Mr. Barrocas. Why don't you proceed?

STATEMENT OF JACOB BARROCAS, VICE PRESIDENT/MANUFACTURING, INJECTION FOOTWEAR CO., MIAMI, FL

Mr. **Barrocas**. Mr. Pease, I am vice president, director of manufacturing at Injection Footwear Corp., and I am also a part owner with my family. My responsibilities include industrial engineering, personnel, research and product development, maintenance, and computer systems. I have been employed with the firm for 15 years, 11 of which have been full-time since I graduated from the University of Florida with an industrial engineering degree.

I am honored and thankful to appear at these hearings today, and along with my two brothers and my parents we have chosen to accept the difficult challenge facing domestic shoe manufacturers from imports.

It has been with dedication, commitment, and long hours that we have been able to survive against an import market that has increased 25 percent during 1984 and accounted for 72 percent of the U.S. market last year; and in January accounted for 75 percent of the U.S. market. In recent years we have been adversely affected by imports as these figures show.

Injection Footwear has been in business for 20 years. The past 3 years, a period during which we projected growth, sales volumes decreased by $2 million. During the same period the annual average number of employees decreased 12 percent. In December we came down to 652. The other 500 employees that we used to employ, I think joined the ranks of the 13,000 shoe workers who lost their jobs last year. Additionally, in the past three quarters we have been faced with losses due to reduced use of our manufacturing facilities.

In 1984 alone, 106 domestic shoe factories closed their doors. Since 1981, 200 factories have closed. It would seem that this would create a greater demand for footwear in this country, but because of the imports being so great, our volume has actually decreased.

During a prior period of import relief, the firm made every attempt to improve its operations and competitiveness with imports. In 1980 a diagnostic study was performed for our firm through TAAC, detailed recommendations were given covering various facets of our company such as upgrading of machinery and equipment, improved manufacturing systems, cost and computer systems, and the help was extremely useful; and I can really say that it was a definite catalyst in getting us started to think in a very professional way.

I do not know if we would be in business today given the import penetration in the last 2 years if it was not for the foundation which was created by the TAAC consultants 5 years ago. It has been extremely helpful; and I point out that we only took the initial help, you know, the initial study, the initial recommendations which came to $25,000, or at the time it was about $20 per employee at our company.

Looking at the number of jobs that we have maintained, it is a very inexpensive Government investment to preserve jobs.

I have been overseas visiting factories, and foreign aid costs a lot more, because in order to make people understand, in a foreign country it is much more difficult, we are all educated in this country. When somebody comes in and tries to help us, it is very quick, it is very easy to communicate, very easy to understand. I have seen people try to communicate with foreigners, and I am sure you have too, it is very lengthy, it is a very expensive process in time and money.

We invested in the past 3 years $2,100,000 in improvements in factory machinery and equipment, marketing improvements, and molds for new shoes. We are pleased to make these investments, and we were at the time, because we felt there was a future for our firm and for this industry. Our profits have been reinvested in the company, going strictly for shoe manufacture.

The results of all this, just to be brief, 85 percent of our factory labor is on piecework at this time, as compared to only 35 percent before the study was done. We have installed and are implementing a computer system with integrated systems for accounting, manufacturing and sales.

We have done work-flow redesigns. We have improved management goal-setting methods. This is probably one of the least costly and most beneficial things for our company. We have improved and made more timely marketing decisions. We have made investments in machinery and equipment to improve efficiency.

We have improved quality control, reducing rejects by as much as 50 percent. Just to give you an example, we have an average of 4 percent, what we call rejects, we are down to below 2 percent now, and we are actively still looking to bring that even lower by being on top of the people, raising the consciousness of our employees.

We have implemented and are implementing computer aided cost and pricing, and also computer aided material control and costing, and along with that a computer aided scheduling and labor loading.

All that has greatly assisted us in making decisions on whether to make a shoe or not make a shoe, and whether we can be competitive or not for the materials that we are buying that are creating that cost at the time that they come in. When you look at the standard cost as compared to what our actual cost is, we are able to see what will be happening as far as the cost of the product before it actually happens; so we can make decisons whether to stop selling a shoe and move on from there.

TAAC's assistance has been instrumental to our survivial, as I explained before. As an example, the use of the computer-aided scheduling—our company has had very few orders in the past months to schedule for production, in the months of October, November, and December, and we depended on customers placing orders for 1- to 4-week deliveries.

Now, you have to understand that most customers place orders in the Orient with 6- and 9-month leadtime. By using our computer system, which integrates costing, inventory and labor needs, we are able to make frequent labor and layout loading decisions that in the past we were not able to do.

At times we make changes every 2 weeks, on Saturday we go in and move machinery around for the labor loading in order to meet this demand, frequent changes this way are very costly. Foreign factories are not burdened with these costs since customers place their orders with a much longer leadtime.

Today I sit here respectfully to plead with you as honorable Representatives of our Government so that you may understand the seriousness of our need for continued assistance. I have visited overseas factories and seen that we are not competing with technology, we are competing with low wages.

Just to sidetrack, I know it is getting late, but I was in a Korean factory and they were perforating a shoe. Now, everybody has perforating machines. They had a guy holding a stick like this with a perforator on the bottom, and they had another guy hitting it with a hammer. It was interesting, but that is what we are competing with, low wages. This was in Korea where the average wage is around 80 cents an hour.

We need time to learn how to compete with overseas wages that are a fraction for ours, and TAAC offers us the assistance we need to lead us in that direction to overcome financial instability, to improve inventory controls, to combat labor problems, to further increase productivity and efficiency, to apply improved technology, which there is a lot of which we are not able to apply because we cannot make a decision on buying a piece of equipment unless it has a payback period of 1 to 2 years, because we do not know if we are going to be using the equipment a year from now.

Recently we purchased 10 sewing machines, at $4,000 apiece, which are semiautomatic. This gives us flexibility to make a variety of styles, and at the same time lowers our labor costs and gives us better quality. We were scheduled to buy 50 more immediately and we were considering replacing 300 machines in the stitching room.

We had to put a stop to that, even though there was a payback, because we do not know how the imports would affect us. Everybody talks about 50 percent import penetration at these hearings. We are being faced with 75-percent penetration.

It would be easy to become an importer ourselves; but we have resisted importing because we want to preserve American jobs. We do know how to manufacture shoes.

There is a whole new field in technology to be seen in shoe manufacturing. Our firm can grow and provide our country with the needed supply of domestic footwear. We need an organization like TAAC to assist us in our pursuit of our goals, yet we also need the time to do this.

I appeal to you to please look at this in a whole view, the total perspective. We commit ourselves to work hard to remain competitive. We need your help to give us time in the form of import restraints and consulting assistance to make this possible.

We are not looking at Government for a handout, we are willing to finance our own improvements, but we are looking to our Government to give us a hand through an effective period of import relief and continuation of TAAC.

I, too, am in favor of free trade; yet what we are faced with is not free trade, but an unfair imbalance of other governments protecting their industries. Thank you.

[The prepared statement follows:]

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STATEMENT OF JACOB BARROCAS, VICE PRESIDENT, MANUFACTURING, INJECTION FOOTWEAR CORP., MIAMI, FL

Dear Mr. Chairman and other Members of the Subcommittee on Trade:

My name is Jacob Barrocas. I am Vice-President of Manufacturing at Injection Footwear Corp., and also part owner along with m family. My responsibilities are broad and include Industrial Engineering, Personnel, Research and Product Development, Maintenance and Computer Systems. I have been employed by the firm for 15 years, eleven of which have been full time, since my graduation from the University of Florida School of Engineering, where I received an Industrial Engineering degree.

I am honored and thankful to appear at these hearings today. Along with my two brothers and my parents, we have chosen to accept the difficult challenge facing domestic shoe manufacturers from imports. It has been with dedication, commitment, and long hours that we have been able to survive against an import market that has increased 25% durng 1984, and accounted for 72% of the U.S. Market last year and 75% in January of this year. In recent years, we have been adversly affected by imports.

Injection Footwear has been in business for 20 years. As our figures show in the past three years, during a period that we had projected growth, sales volume has decreased by two million dollars; during the same period, the annual average number of employees decreased 12%, hitting a 10-year low of 652 in December, 1984. The other 500 people we employed joined the ranks of the other 11,000 shoe workers who lost their jobs last year. Additionally, we have been faced with loses over the last three quarters due to a reduced use of manufacturing capacity.

In 1984 alone, 106 domestic shoe factories closed their doors. Since 1981, over 200 factories have closed. One would tend to think that this would create a greater demand for remaining domestic factories, yet as statistics show, import penetration has injured our industry so much that our sales have actually decreased.

During a prior period of import relief, this firm made every attempt to improve its operations and competitiveness with imports. In 1980, a diagnostic study was performed for our firm through TAAC. Detailed recommendations were given by a consulting firm covering upgrading of machinery and equipment, improved management systems, goal setting methods, recommendations for inventory control, layout redesign, and use of computer-aided management(See exhibit I). The study was used as the guideline and implementation was carried out by our in-house staff. The help was extremely useful in helping us cope to date with the massive uncontrolled influx of imports combined with dumping of inventories from overseas manufacturers. These recommendations helped our company become more efficient and cost-competitive with these imports. These improvements have cost our company $2,100,000.00, but we are pleased to make this investment because we felt there was a future for this firm and this industry. All our profits have been reinvested in the Company, going strictly for shoe manufacturing. The results were as follows:

1. 85% of factory labor is on piece rate, as compared to only 35% before the study, making us more efficient.
2. We have installed and are implementing an in-house computer with integrated systems for accounting, manufacturing and sales.
3. We have done work flow redesigns.
4. We have improved management goal-setting methods.
5. We have improved and made more timely marketing decisions.
6. Investments have been made in machinery and equipment to improve efficiency.
7. We have improved quality control, reducing rejects by as much as 50%.
8. Implementation of computer-aided product cost and pricing.
9. Implementation of computer-aided material control and costing.
10. Implementation of computer-aided scheduling and labor loading.

TAAC's assistance has been instrumental to our survival to date. For example, recently, our company has had very few orders to schedule for production. We depended on customers placing orders for one to four week deliveries to fill their inventory gaps. By using our computer systems which integrates costing, inventory and labor needs, we are able to make frequent layout and labor loading decisions that in the past we were not able to do. Frequent layout changes are costly and something foreign factories are not burdened with, since customers place their orders with a much longer lead time.

Today, I stand before you respectfully to plead with you as honorable representatives of our government so that you may understand the seriousness of our need for continued assistance. I have visited overseas factories (i.e, Korea, Taiwan, Haiti, Colombia and Spain) with which we compete and seen that we are not competing against technology, but against low wages. We need time to learn how to compete with overseas wages that are a fraction of our rates.

TAAC offers us this assistance. We need to better learn to:

- Overcome financial instability.
- Further improve inventory controls.
- Combat labor problems.
- Increase productivity and efficiency.
- Apply improved technology.
- Further improve management systems.

In recent years, due to an apparent disconcern of our government over shoe imports, we, as domestic manufacturers, have been unable to make investments with paybacks of more than 1½ - 2 years due to our fear of imports. This makes it very difficult to continue to advance technologically. It becomes easier to become an importer ourselves, but we have resisted importing because we want to preserve jobs in America and in Florida.

Recently, we began investing in new sewing machines with automatic trimming and back-tacking mechanisms. We purchased ten machines at a cost of $4,000 each. Our plans were to replace the remainder 300 sewing machines in Stitching. Theoretically, the machines look great, yet we had to put a hold on further purchases due to the instability of the domestic shoe industry.

There is a whole new field in technology to be seen in shoe manufacturing. Our firm can grow and provide our country with a needed supply of domestic footwear. We need an organization like TAAC to assist us in our pursuit of our goals; yet, we also need the time to do this.

I appeal to you to please look at the situation from a total perspective.

We commit ourselves to work hard to remain competitive.

We need your help to give us time in the form of import restraints and consulting assistance to make this possible. We are not looking at government for a hand out; we're willing to finance our own improvements. But we are looking to our government to give us a hand through an effective period of import relief and continuation of the TAAC.

Thank you.

EXHIBIT ONE

Section 2

OUTLINE OF PROJECTS

We have defined seven projects to accomplish the scope of work outlined in the Request For Proposal. They are as follows:

A Manufacturing Methods

Develop a plan to improve production efficiency by updating manufacturing procedures and machinery and improving layouts.

B Productivity and Labor Costing

Establish improved and expanded incentive piecerates, updated base rates, set productivity standards and manning levels for all departments. Implement mechanisms to manage against such standards.

C Material Control and Costing

Establish controls over material receiving, inspection, and issuing functions and improve calculation of material allowances. Monitor actual usage against standard allowances.

D Product Cost and Pricing

Develop the methodologies for using pre-determined Labor and Material cost standards to arrive at reliable product cost data. Establish more equitable and responsive overhead factors.

E Production Planning and Control

Provide systematic mechanism for effectively balancing sales order requirements against production capacities and material availability.

F Management Information Systems

Provide the basic training in handling data entry devices and the disciplines associated with controlling the data for all applications including orientation of middle managers and line supervisors. Implement Financial Applications.

G Quality Control

Establish an effective quality control function with all appropriate systems and procedures that is properly manned and has a clearly defined reporting relationship to management.

The first four projects focus upon reducing and controlling in-factory costs. Project A, Manufacturing Methods, takes an early cut at identifying methods and equipment improvements that have exceptionally high payback prospects and will positively effect subsequent efforts to improve productivity. The remainder of Project A will be handled in concert with the other projects. The focus of Project B, Productivity and Labor Costing, is on analyzing, classifying and setting standards for production operations. This will provide specific labor cost information that will subsequently be required for product costing. It will also provide immediate standards for managing each direct labor department and will assist in establishing budgets for the various overheads. As progress is made in improving the efficiency of direct labor, the projects will be expanded to establish budgets for the various support departments. The computerized Labor Cost Control and Payroll system that will be introduced here is an effective tool for implementation of these controls.

Mr. **Pease**. Thank you very much, Mr. Barrocas, and I thank all three of you on the panel.

The hour is late and I think I have exhausted most of my questions on the previous panels, but your particular examples, I think, are very helpful to have on the record.

It is just amazing, the difference between what you tell us this morning and what the Department of Commerce tells us when it comes before us in Washington.

Surely we must be talking about two entirely different programs, because you would never recognize from their testimony the sorts of things that you tell us that TAAC has been doing for you. And we are really grateful to you all for coming. Thank you.

Sir, do you wish to add anything.

Mr. L. **Duncan Allen**. This picture that Mr. Barrocas paints—I really worry not only about my own company and about the economic damage that is being done to the country, but I really wonder if we could field any army with—you have to shod these people and you have to have uniforms, and if you are going to depend upon mainland China, or Korea, or someone else to do it, I mean it is a manifold type of problem; I think it needs to be addressed very seriously, and I do not think the average person, and perhaps some of the people in the Commerce Department, realize how important it is.

Mr. **Pease**. Thank you very much. I can visualize our Army going to battle with Gucci boots of some kind.

We have two other witnesses. I would be glad to stay for the whole afternoon, but at some point Mr. Gibbons is going to come to that door and tell me it is time to leave. So for the time we have available why don't we ask Charles Estes and John Warden to come before us and we will proceed as long as we can until I get the hook applied to me.

Mr. Estes, do you want to proceed first?

STATEMENT OF CHARLES M. ESTES, JR., ASSOCIATE DIRECTOR, SOUTHEASTERN TAAC—TECHNICAL ASSISTANCE PROJECT FOR DAWSON INDUSTRIES, INC.

Mr. **Estes**. Yes. Thank you, Mr. Pease.

In the interest of time I will not go over the details of the written testimony here because you have an opportunity to hear similar testimony from others.

We have a video tape of a client, Dawson Industries, in Dawson, GA, who had wanted to be here but could not because of scheduling reasons. The client had submitted his message by means of videotape, but I am not going to show it. A transcript of the videotape is attached.

I was fortunate enough yesterday as an interested party to attend the hearings on textile imports in Helen, GA. One question that was asked by the panel, I think to Mr. Tanner of the Georgia

Department of Labor, was if statistics are collected on the various industries concerning growth or lack of it, and in particular in the textile industry. The question that came forward from the subcommittee was that TAAC is a program which can help do something about lack of growth.

What I would like to highlight just briefly here is that the Trade Adjustment Assistance Program is one that is handled by qualified people who can customize their services to a client. In Dawson Industries' case, this firm is an apparel manufacturer that began in 1968. Its sales grew to $6.3 million by 1974, but then began to drop. Dawson began working with the Metro New York Trade Adjustment Assistance Center in redefining its strategy which basically was to move into higher price-point garments, to focus more on men's wear rather than ladies' wear, and to focus on the active sportswear field.

Dawson was successful in the sales component of their strategy, but still needed to proceed along the lines of reducing cost and becoming an efficient manufacturing organization. So in early 1980 they contacted Southeastern TAAC. The Southeastern TAAC began a program of evaluation of their manufacturing operations which included looking on review of fabric utilization, plant layout, piece rate system, management information systems, product costing, sewing work methods, et cetera. So we were looking for very specific improvements to reduce costs and increase productivity.

In considering alternative approaches to working with companies and assisting them with their problems, there are not a lot of resources for the companies to turn to. There has been some talk about using other private consultants. The expense and the level of apprehension, in terms of not knowing what you may be getting, rule out this option for many companies.

The TAAC's do have a list of consultants that we work with routinely, and are familiar with. We take the burden away from the firm by defining the work that needs to be done. We do not leave it up to the consultants to go in and tell the companies what to do.

When using private consultants, we seek competitive bids to try to be as cost effective as possible. Then we monitor the project itself and frequently do postaudits to determine the success of the project. So we are staying involved during the course of the consultants' work to increase the probability of success.

In Dawson's case we were able to prioritize what needed to be done and secure the consultants to provide the assistance. We installed new production control systems, and cost systems, and also did some reengineering and retraining for Dawson.

At that time, Dawson's volume was about $15 million in sales on an annual basis. Our postaudits indicated that particular project saved them approximately $100,000 a year in cost. The Government's share was approximately $100,000. So you can see that it was a 1-for-1, or 100 percent, return on the Government investment.

Yesterday at the textile hearings we also talked about the textile industry making capital investments. These capital investments sometimes become obsolete in 3 years, but yet the textile industry is willing to make the investment. I submit to you that we are making an investment on behalf of the Government that is getting a 1-year payback in many cases. I believe there are many businessmen who would love to invest under these type returns. So it becomes a little concerning that the Government does not look upon the TAAC program as an investment rather than an expense. Thank you.

[The prepared statement follows:]

STATEMENT OF CHARLES M. ESTES, JR., ASSOCIATE DIRECTOR, SOUTHEASTERN TRADE ADJUSTMENT ASSISTANCE CENTER, ON BEHALF OF DAWSON INDUSTRIES

Dawson Industries is an apparel manufacturing firm located in Dawson, Georgia with headquarters in New York City. The firm manufactures and markets men's, women's, and children's active sportswear such as shorts, warm-up suits, tops, etc. in mid-range price points. The products are sold nationwide to retail department stores and mass merchandisers by company salesmen and independent sales representatives.

Charles M. Estes, currently Associate Director of the Southeastern Trade Adjustment Assistance Center (TAAC), was the project manager for the Southeastern TAAC during the time in which Trade Adjustment Assistance was provided to Dawson Industries. This statement presents a summary of the activities undertaken by the Southeastern TAAC in working with Dawson.

Attached to this statement is a copy of the testimony provided via video tape to the Subcommittee on Trade hearing on April 6, 1985 by Mr. Marcus Lemacke, VP Manufacturing for Dawson Industries. This statement presents the perspective of Dawson's management concerning the value of the TAA Program.

Dawson Industries was founded in 1968 and the business grew to approximately $6.3 million in annual sales by 1974. During the mid-seventies, apparel imports began to impact Dawson's market, which was primarily low end women's and children's sportswear, sleepwear, and panties. By 1976, sales had dropped to $4.6 million. In June 1977, Dawson was certified to receive Trade Adjustment Assistance. The firm initially worked with the Metro New York TAAC to finalize a new marketing strategy for its business. The new strategy included the following components:

a) Producing and selling more fashion oriented and higher price-point apparel (mid-point range).
b) Expanding the product line to include more men's apparel.
c) Focusing on athletic and activewear apparel.
d) Hiring a designer to provide the required styling.
e) Expanding the salesforce to provide more customer contact and sales calls.
f) Establishing a New York warehouse to improve timeliness of delivery.
g) Expanding the Georgia manufacturing facility by approximately 30 % to provide for the forecasted volume.
h) Updating the level of automation to reduce manufacturing costs.

As indicated in Mr. Lemacks testimony, Dawson was successful in entering the new markets via its new strategy. By 1980, sales had increased to $15 million annually.

Dawson was not satisfied with the performance achieved by its manufacturing operation, so in 1980, the firm requested that the Southeastern TAAC perform an operational audit of its Georgia facility. In that audit, the following areas of operation was reviewed:

a) Fabric purchasing and handling practices.
b) Fabric cutting procedures.
c) Labor productivity.
d) Sewing work methods.
e) Piece rate system.
f) Management information systems.
g) Product costing practices.
h) Production control and scheduling procedures.
i) Personnel and training procedures.
j) Management structure.
k) Plant layout.
l) Quality control procedures.
m) Shipping and distribution procedures.

The Southeastern TAAC analysis indicated that there were numerous areas for improvement and significant opportunities for cost reductions. Recommendations were made to Dawson on a plan of action to address deficiencies in the above areas. Recommendations in the plan of action were prioritized to determine relative potential impact on the operation. Futhermore, it was recommended that an apparel engineering consulting firm be retained to assist in the implementation of the high priority items which included:

a) Development of a new production control system.
b) Development of new product costing procedures.
c) Reengineering of selected sewing operations and training to selected operators.

The Southeastern TAAC developed scopes of work for the implementation assistance, identified qualified apparel engineering consultants, and secured competitive bids for the assistance. Based on the proposals submitted by the consulting firms, an experienced consulting firm was selected to provided the assistance. The Southeastern TAAC also monitored progress of the consulting firm in completing the project.

The project was begun in July 1980 and was completed in nine months. A post project audit performed by the Southeastern TAAC indicated that costs were reduced by approximately $100,000 annually based on the volume at that time. In addition, other benefits such as fewer late deliveries, improved employee productivity and and improved management/employee relations were also achieved. Based on a government expenditure of approximately $100,000, this assistance provided better than a 100% return on investment.

Dawson has continued to aggressively implement and refine its strategy to compete against imports. The firm has purchased a knitted fabrics converting firm to supply fabrics. A modern semi-automated warehousing/distribution system has been installed at the Georgia facility. Management at Dawson is continuing to work with the Southeastern TAAC to modernize machinery and equipment to become as low cost producer as possible.

Dawson's sales have grown to approximately $30 million annually. Of equal importance, good levels of profitability have been achieved which provides jobs to a rural community and capital needed to insure financial stability.

From the government viewpoint, corporate and individual income taxes from Dawson provided over $1,500,000 annually to the Federal Treasury on an on-going basis. It only takes a few success stories like Dawson to realize that the TAA Program is not a cash expenditure for the Federal government. It is in fact a good investment which can actually provide a positive cash flow back to the Treasury. Numerous intangible benefits such as the job multiplier effect, state and local taxes, and the avoidance of unemployment payments also accrue from the assistance provided to import impacted firms such as Dawson Industries.

TESTIMONY TO SUBCOMMITTEE ON TRADE
BY: DAWSON INDUSTRIES, INC.
APRIL 6, 1985

Dawson Industries, Inc. is located in Dawson, Georgia with sales and administrative offices located in New York City. The firm currently manufactures, sells, and distributes men's, ladies', and children's athletic/active sportswear. Its product line in the past included sleepwear and panties. Today Dawson's products are sold through specialty stores, department stores, and discount chains.

After enjoying success in the early seventies, the firm began to experience serious competition from imported ladies' and childrens' apparel products, especially sleepwear and panties, from the Far East. Between 1974 and 1976, Dawson suffered a 34 percent decline in employment, a 20 percent decline in sales, and a 15 percent decline in production.

Dawson developed a new business strategy to combat the effects of imports and to regain its competitive position. Basically the new strategy involved expanding the product line to include higher price point and more fashion oriented sportswear for men and women. Less emphasis was placed on women's and children's apparel products, especially sleepwear and panties. The new strategy also included providing the necessary merchandising and sales support programs needed to compete in the new markets. After being certified as eligible to receive Trade Adjustment Assistance in 1977, Dawson worked with the New York TAAC to secure a $1 million Trade Act loan to provide working capital for repositioning the sportswear line. Dawson was able to increase sales from $4.6 million in 1976 to approximately $11.7 million in 1979 based on the new strategy.

Despite this significant increase in sales, Dawson was unable to achieve adequate profit performance. Because of continued import competition, the firm could not raise its prices and had to focus on manufacturing cost reductions as a means of restoring acceptable profit levels.

The Southeastern TAAC assisted Dawson in formulating a strategy for improving profits, with particular regard to reducing manufacturing costs and increasing managerial efficiency. Based on an operational audit performed by the Southeastern TAAC, several opportunities were identified. The Southeastern TAAC recommended the installation of a fully integrated production system; the re-engineering of the sewing room to include the development of new piece rates and cost reporting; supervisory training and new line balancing methods; modification of the product costing procedures; a review and improvement of plant layout; and the establishment of operating budgets.

The Southeastern TAAC contracted with apparel consultants to provide the technical assistance in addressing the areas of production control, product costing, and sewing room engineering. Dawson used its own resources to effect the other recommended changes. The implementation projects funded by the TAAC proved successful in helping Dawson achieve its profit objectives.

Dawson has been successful in achieving most of its goals. Sales in 1983 reached $30 million and profits were at an acceptable level. The cost reduction program in manufacturing resulted in savings in excess of $100,000 annually. Employment in the Dawson plant is currently about 400 people with plans to increase employment. Many more jobs have also been created in other apparel manufacturing firms which act as a subcontractor to Dawson in producing garments to meet sales demands.

As imports continue to be a factor, Dawson has been pursuing a program to modernize its facility through the addition of automated machinery and an automated distribution center. Dawson is currently working with the Southeastern TAAC on ways to continue this modernization program.

In summary, the Trade Adjustment Assistance Program has provided valuable resources to assist Dawson Industries successfully compete against imports. Dawson fully supports the program and asks that serious consideration be given to its refunding.over.

The assistance provided to Dawson has been repaid many times over. During the low point prior to being certified in 1977, Dawson's sales were declining and profitability was virtually non-existent. Over 350 jobs were in jeopardy. From this situation,Dawson has turned itself around and currently contributes over $1.5 million annually in corporate and private income taxes. Thus Dawson has made a significant contribution in paying for the TAA Program. Results like those achieved at Dawson combined with successes in other firms provide a tremendous return on investment for the Federal government.

Prepared by: ____________________
Marcus Lemacks
VP Manufacturing
Dawson Industries, Inc

Mr. **Pease**. Thank you very much, Mr. Estes, Mr. Warden.

STATEMENT OF JOHN WARDEN, CONSULTING MANAGER, SOUTHEASTERN TAAC, TECHNICAL ASSISTANCE PROJECT FOR PLASTIC INDUSTRIES, INC.

Mr. **Warden**. Contrary to what one might be led to believe as a result of what we have herd this morning, there is industry in the Southeast other than textile and apparel, and I would like to tell you about one such study.

This was for Plastics Industries, a company based in Athens, TN, which does injection molding of simulated wood furniture parts as well as a number of other proprietary lines. The company's primary lines consist primarily of chair legs, sidearms, decorative trim parts, wheels for tea carts and a number of other small trim parts used on upholstered furniture.

They also manufacture whitewater kayaks from rotationally molded parts, injection mold Western style saddle trees and also engage in custom molding for original equipment manufacturers.

Back in the late 1970's and early 1980's there was a tremendous influx of imported furniture legs from Taiwan, wooden furniture legs, which seriously eroded the sales of one of Plastic Industries' major product lines, which was a patented combination furniture leg and attachment system which was used on upholstered furniture.

Over a 5-year period their sales fell from about $10 million down to about $7 million, but this is one of those situations that was alluded to earlier where the company was not on the verge of bankruptcy, they had maintained their profitability over that entire period of time, although at a reduced level.

Our diagnostic analysis revealed that the company did have reason to have financial strength, a good management team, and had an excellent reputation among their suppliers, among their customers in the furniture industry, and had put forth a good marketing effort over this entire 5-year period with increased marketing budgets and increased R&D budgets, despite a decline in sales trend.

One of the areas that was demonstrated to be a weakness for this company was in the manufacturing operations. They suffered from a somewhat inefficient layout of their injection molding equipment. That was further aggravated by having two plants that were separated by approximately 2 miles and required the transfer of raw materials and finished products between the two facilities.

The quality control also suffered somewhat, which was perfectly adequate for manufacturing custom parts for original equipment manufacturers. The finishing operation wherein the simulated wood was applied to the product was also problematic, not so much for their furniture line, but for their custom line.

As a result of the decline in sales over the years of their injection molded furniture legs, the plant was operating only at about half of its capacity, but it tried to supplement the sales by securing more custom injection molding work. But their ability to do that was severely hampered by their relative inefficiency in manufacturing, their poor quality control and their poor finishing operations, which made it difficult for them to compete for custom work which is highly competitive, very price competitive, and low margins.

We developed a strategy consisting of four elements. One was to improve their molding and finishing efficiency and quality; the second element was to increase their sales of their traditional product lines. They would be more price competitive as a result of strategic element No. 1.

The third element was to expand the company's custom molding activity. Again, that would be implementable as a result of the improved manufacturing operations, to the more efficient manufacturing operations.

The last recommendation was to diversify into new product areas, preferably in the industries that had not been experiencing significant import competition.

The manufacturing implementation assistance that was provided consisted of revising the plant layout to effect a more efficient manufacturing operation and for a lower cost operation, revise their performance standards and finishing operations, which resulted in upgrading of quality of their finishing without any signifiant investment in capital equipment. And, last, developed and implemented a quality control program which allowed us to train the management as well as all the production workers in quality control theory and practice.

With the three critical stragegic elements in place, that is improved efficiency, improved finishing capabilities and an elevated level of quality control, they were able to successfully enter the market for custom injection molding work and have made some significant inroads in that market.

Marketing implementation assistance was also provided in the form of new product feasibility studies which has allowed them to enter the market for protective clothing, which they are currently working on in the form of designing a line of protective clothing, working on a plan to introduce that.

The overall results that we were able to help Plastic Industries achieve on an investment of Government funds amounting to $3,800, their employment has increased from 160 to 248, and their sales have increased by 42 percent, and now are in excess of their previous high level of sales that they have experienced prior to suffering from the effect of imports.

[The prepared statement follows:]

Statement of John Warden, Consulting Manager, Southeastern Trade Adjustment Assistance Center, on Behalf of Plastic Industries, Inc., Athens, TN

Synoposis of Work Completed
For Plastic Industries, Inc.
Under the TAA Program

Plastic Industries, Inc. (PI), located in Athens, Tennessee, is a small manufacturer of injection molded plastic parts sold primarily to furniture manufacturers. The company produces a broad line of simulated wood parts used on upholstered and wood furniture. PI's furniture parts consist primarily of chair legs, sidearms, decorative trim and tea cart wheels.

The company also has a proprietary line of injection molded saddle trees and rotationally molded kayaks. In addition, PI performs custom molding for a limited number of original equipment manufacturers.

In the early 1980's inexpensive imported wood furniture legs began to seriously erode the market for one of PI"s major products, a patented leg and attachment system for upholstered furniture called a "Dura-leg." As a result of the decline in volume of this and other products, PI applied for Trade Adjustment Assistance. The firm was certified on January 28, 1983.

Diagnostic Analysis

A team of consultants from the Southeastern Trade Adjustment Assistance Center (SETAAC) performed an exhaustive analysis of PI's marketing, production, finance and control functions. This analysis revealed a company with a sound balance sheet, good management and an excellant reputation within the furniture industry. However, inexpensive wood products from abroad were seriously hurting PI's market position, and the company needed expert advice on effective strategies to compete with low cost imports and recommendations on possible new ventures which were not affected by imports.

PI operates two manufacturing facilities in Athens, Tennessee. These plants are approximately 1.5 miles apart. Plant #1 houses most of the injection molding equipment, and plant #2 contains a large capacity molder, raw materials receiving, the finishing department and the finished goods warehouse.

The Diagnostic Analysis pointed to a number of inefficiencies in this two-plant arrangement, the most significant being the need to transport raw materials from plant #2 to plant #1 for processing. The plastic parts molded in plant #1 must then be shipped to plant #2 to receive the simulated wood finish and await shipment to PI's customers.

It was also found that the Finishing Department created a production bottleneck due to its inefficient design. At the production levels experienced in 1983, the problems in the Finishing Department were not severe, as the plant was operating at approximately 50% of capacity due to the import problem. However, at higher production volumes the finishing area severely impacted production. PI also experienced problems applying a high quality finish to custom molded products which required a finish superior to that needed on the Company's furniture parts.

The Diagnostic Analysis also indicated that PI's in-process quality control was somewhat weak. While the Company's product quality was perfectly acceptable to the furniture industry, PI had difficulty maintaining consistent and adequate quality across its custom molded products.

The Company's weaknesses in the Finishing Department and in quality control made it difficult to sell enough custom molding work to absorb the excess molding capacity created by the downturn in PI's furniture parts lines.

A financial analysis showed PI had surprising strength in light the long term downturn in sales of its major product lines. Sales volume fell almost 19% from 1979 to 1982. However, during that time the company was able to show a profit each year. In 1979, after tax profits were 4.8% of sales. This fell to only 1.4% in 1982.

In an attempt to maintain its market position during the downturn, PI actually increased its budgets for marketing and new product development. In the opinion of SETAAC consultants, this aggressive marketing posture prevented an even greater decline in sales and profitability.

Adjustment Plan

The Diagnostic Analysis showed PI to be a company with a good management team and a reasonably strong financial position.

The recovery strategy adopted by PI consisted of four elements:

1. Improve the Company's molding and finishing capabilities and efficiencies.

2. Increase sales in traditional product areas through continuous product development and by leveraging the gains in product quality and cost achieved through implementation of strategic element #1.

3. Expand the company's custom molding activity.

4. Diversify into new product areas, most likely through the acquisition of the company that was supplying the flotation gear for PI's line of kayaks, and utilizing this company's radio-frequency sealing technology to manufacture new products.

PI required technical assistance in strategic elements 1 and 4. Once element #1 had been completed, PI management would be capable of implementing elements 2 and 3.

Consultants were retained to provide assistance to PI management in improving production quality and efficiency, and in researching new product opportunities.

Specifically, engineering consultants completed a far reaching analysis of PI's operations and implemented a number of programs designed to improve the manufacturing area:

- The consultants analyzed the Dura-leg assembly operation and provided specific recommendations regarding improved equipment layout and automation of selected assembly operations. The result of these recommendations has been to lower the per unit cost of Dura-legs in an attempt to make them more cost competitive with imported products.

- Recommendations regarding improved molding machinery layout and work flow patterns have resulted in increased efficiency and reduced costs.

- A complete plan and plant layout was developed to consolidate all molding operations in plant #2, where the manufacturing equipment will eventually be housed in the same facility as raw materials and the Finishing

Department. When implemented, this consolidation will result in even greater improvements in production efficiency and lower costs.

- Recommendations were made to improve the Finishing Department by tightening performance standards. This resulted in a marked increase in quality with no expense for new plant or equipment.

- A complete quality control program was design and implemented, providing PI management with training in Q.C. theory, objectives, techniques and documentation.

Marketing consultants were retained to evaluate the feasibility of entering two new markets utilizing radio-frequency (R-F) sealing technology.

- An analysis of the market for medical disposable items such as drainage bags, ostomy bags, air splints, and so forth, was performed. This analysis showed that PI would have the technology necessary to produce these items should the Company acquire its supplier of kayak flotation gear. However, the heavy investment in finished goods inventory required to successfully compete in this market made it unsuitable for PI at the present time.

- An analysis of the market for vinyl protective clothing was more favorable. This research quantified the size of the market for protective clothing, identified major competitors and their products and price points, and also revealed a niche in which PI can successfully compete. PI has acquired the flotation gear supplier, and is designing a line of protective garments and developing a marketing program to support the introduction of this line.

The improvements in production efficiency and quality have been leveraged into a more successful custom molding operation. PI has successfully secured custom molding jobs that were unattainable prior to the consulting work which upgraded its manufacturing operation.

Summary

Plastic Industries has been through the adjustment process, and has experienced gains in both sales and employment. From a 1982 low of 160 employees, the Company has grown to 248 employees at the present time. Sales have increased by 42% over the same time frame. The government's share of the cost to effect these improvements was $93,800.

It is impossible to trace the gains in PI's sales and employment back to any one program implemented by the Company. The improved manufacturing efficiencies and quality control programs, as well as the entry into new markets all have contributed to PI's newfound strength. It is safe to say the synergistic effects of these variables would not have been felt without the financial support provided by the Trade Adjustment Assistance Program.

A STATEMENT CONCERNING THE BENEFITS OF THE TRADE ADJUSTMENT ASSISTANCE

FOR

Plastic Industries
Athens, Tennessee

Submitted to:

The Subcommittee on Trade-
Subcommittee of The Committee on Ways and Means
U.S. House of Representatives

April 1985

TESTIMONY FOR PLASTIC INDUSTRIES, INC.

I'm Dan Fisher, Financial Vice President, with Plastic Industries in Athens, Tennessee. I'm sorry I can't be with you personally, but this seems the best way for me to convey the message that I have, and I hope it will answer some questions that you might have about the TAAC Program.

Plastic Industries, Inc. is a small injection molder in Athens, Tennessee. We currently employ 248 people. This represents an increase from the 160 people that we employed in 1982, prior to receiving TAAC assistance. One of our principal products is furniture components. Sales of these furniture components have come under a lot of stress lately because of foreign competition. The product that was most severely import impacted was furniture legs. These legs are imported from Tawain at a selling price that is something like 45% of that of our product. This caused a tremendous decrease in sales, from around 1 million dollars down to about 250 thousand dollars over a three year period of time. Since this was one of our principal product lines, we were very concerned. We heard about the TAAC program and decided that we would apply for assistance. We have received this assistance, and it has turned out to be of tremendous benefit to our small company.

The first thing that I noticed in the TAAC program was that, whether it is deserved or not, Government employees suffer from a bad image. I told everybody that the people that we worked with did a tremendous job. They were extremely professional. They came in and did their work very efficiently, and I think all of us here at Plastic Industries were quite surprised with the quality of work that they did.

One of our main problems was with the quality of furniture components. The quality does not have to be extremely high and the tolerances can be low. The TAAC people were able to come in and help us set-up an entire quality control system that enabled us to enter new markets in the custom molding of plastic injection parts. Since then we have done work for large companies such as Dupont and Electrolux. The quality control system that they instituted is principally responsible for this.

Another item that TAAC looked at and helped us with considerably was a program in which we reviewed the entire machinery layout and material flow in the plant. They were able to change this to increase our efficiency and therefore reduce our costs.

They did a market study that helped us enter into a new market. We have since acquired a new company which does radio frequency sealing. This acquisition enabled us to surpass our former high employment of 240. We now employ 248 people, so I would like to say that the TAAC program has been very beneficial to us, in fact directly beneficial. Probably the most impressive thing about it is that the people working with the TAAC program are very professional people. Everything that has transpired with these people and with the program has been very beneficial to our company.

If I could answer any questions that you might have, I'd be happy to answer a telephone call or a letter. Thank you.

Mr. Pease. Mr. Chairman, I appreciate the testimony of these two gentlemen also. You are both employees of SETAAC; is that correct?

Mr. Warden. That is correct. Georgia Tech.

Mr. Estes. That is correct.

Mr. Pease. Just a couple of quick questions, and I will turn it over to the chairman.

How much of the consulting work that you provide is through SETAAC or Georgia Tech employees versus outside consultants which are hired?

Mr. Estes. As we have discussed earlier, the Trade Adjustment Assistance Program is broken down into the diagnostic and business plan phase, and then an implementation phase. At the Southeastern TAAC, we work primarily in the initial phases. That is, our staff provides most of the diagnostic studies and develops the business plan.

In the implementation phase we, more often than not, contract with the private sector to use their services. Generally, those projects are longer duration in nature and require specific skills. Some particular expertise is usually needed, and there is no need for us to try to go up the learning curve to provide this experience.

Thus, we think it is cost efficient to use private consultants. So we are very heavily involved in the initial phase of the process, and typically contract out the implementation phase. But we are still involved even in that phase because we monitor the progress of the projects.

Mr. Pease. One other quick question. What sort of resistance do you run into on the part of your clients? Do they say, "What do the guys from Georgia Tech know? They are coming in here to tell us how to run our business." And all that sort of thing?

Mr. Estes. That is a typical concern that we are very sensitive to in that we like to position ourselves as being people that have been out in the field and have experience. We are not just trained in the classroom, nor we are not bureaucrats. We are practical, experienced professionals and we have to prove ourselves just like anybody else would.

Mr. Pease. Mr. Chairman, I would like to make a comment for the record, that you and I would understand. You and I are not manufacturers, but this has been a very instructive session to me this morning.

I see a parallel. We, Members of Congress, have to run for office every 2 years. Ordinarily we do not have a great deal of difficulty, but once in a while we have an opponent who comes along who is pretty serious about putting us on the unemployment rolls, and then we start to think, "Well, we need a consultant for TV" or "We need a consultant for radio," or direct mail or whatever, and it is a real trauma to think to yourself, "In whose hands as a consultant am I going to place myself, my election or reelection?"

And you do not have a chance to make a mistake or much of a mistake, and there are lots of people who represent themselves as a political consultant, but there are a lot of them out there to get your money, a lot of them are out to impose their system on you and all the rest. And a very valuable service which is provided by the Democratic Congressional Campaign Committee or the Republican National Committee is to screen the consultants and to give us advice on who is reliable and who is not and so on.

And it seems to me that if any message has come out of this hearing this morning it is that the TAAC's are very valuable to companies in trouble, reassuring them that there is some dispassionate objective advice on where to get help and what kind of help to get.

So speaking for myself, I would like to again thank all of you for spending part of your holiday weekend with us, traveling, in many cases, a great many miles to be with us.

It has been an excellent hearing, and I can assure you that I was a supporter of the program before, and I will leave this hearing with renewed energy, and this program will be allowed to expire over my dead body.

Chairman **Gibbons**. I regret that I had to excuse myself. I announced awhile ago what it was for, but I am glad to be here to help close this meeting.

First, I want to thank each one of you for having taken what is traditionally an American holiday to come here and help us with this problem.

America faces some serious challenges, and we sometimes disagree about how we will solve the problem, but the problem is still there. American firms and the people that work in those firms are not able to adjust rapidly enough to the challenges that are out there to meet us.

We tend to be people who would like to be left alone and rugged sort of individualist types. That is great, it is a wonderful tradition that we have, but I think everybody who has got as much mileage on their chassis, and as much gray hair as I have got on my head, realizes that there are times in our lives, and there are places in our lives, whether it is our personal life or our business life, where we do need to call on others for counsel and guidance and help.

And that is something that we Americans have always prided ourselves on, that we come to the rescue and the help of our neighbors, whether it be in personal counseling, or just personal services.

Why we have failed to do that on the business side, I do not know. This is not a subsidy, this is not saving the culls in business, this is just recognizing that everybody goes through different phases. We are not offering anything here free or anything else, it is a mutual effort to help rescue and save a worthwhile deserving piece of Americana.

I regret that political assaults have been made on this program. I think they come from ignorance rather than from maliciousness. And we will have some more hearings to try to find better solutions to these problems.

I want to commend the people at Georgia Tech and the people that have participated in it. You have set a worthwhile example. I hope that we can renew certainly this phase of this program, and we will try to do it.

With that conclusion, I want to say this completes our meeting for today. We will convene next in Alabama on Monday morning, and I wish you all a happy Easter.

[Whereupon, at 12:23 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

MANUFACTURING JEWELERS
& SILVERSMITHS OF AMERICA INC.

THE BILTMORE PLAZA HOTEL, KENNEDY PLAZA
Providence, Rhode Island 02903
(401) 274-3840

April 5, 1985

COMMITTEE ON
APR 11 1985
WAYS AND MEANS

The Honorable Sam M. Gibbons
Chairman
House Ways and Means Committee
Subcommittee on Trade
111 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Gibbons:

I wish to submit for the record this account of the Manufacturing Jewelers & Silversmiths of America's experience with the Trade Adjustment Assistance Program in conjunction with the April 6th hearing on the TAAP to be held by the House Ways and Means Committee, Subcommittee on Trade. The MJSA is the principal trade association representing more than 2400 manufacturers of fine and costume jewelry, as well as silverware, findings (component parts), chain and other jewelry-related products. Included within its membership are not only manufacturers of finished and unfinished products, but also processors (e.g., electroplaters, solderers, polishers, refiners, etc.); producers of supplies and equipment for the manufacturers (e.g., raw materials, chemicals, and machinery and tools); and producers of packaging materials (boxes, cases, and displays).

Membership, which is drawn from all fifty states, is estimated to employ approximately 87,000 persons. The geographic distribution of the MJSA membership generally reflects the industry's distribution as described above. The largest concentrations are in southern New England, New York-New Jersey, and California.

The Trade Adjustment Assistance Program has been a most valuable resource for this organization in its efforts to provide industrywide assistance to the manufacturing jewelry industry in the United States. This industry has for some time experienced a substantial trade deficit. The rate of growth of this imbalance over the last decade suggests that the industry's competitiveness is declining in domestic markets. In 1983, in the precious metal segment of the jewelry industry, imports were 23.8 percent of apparent consumption; in the costume jewelry segment, imports were 16.2 percent.

At the same time, the American jewelry industry's competitiveness in foreign markets remains weak. Exports as a percentage of domestic production were 5.7 percent for costume jewelry and 4.0 percent for precious metal jewelry in calendar year 1983. Although exports of precious metal jewelry actually increased slightly from 1982 to 1983, the comparison of 1978 to 1983 shows a decline in costume jewelry exports from 6.5 percent to 5.7 percent. The decline in precious metal jewelry for the same time period ranged from 5.3 percent down to 4.0 percent.

In September of 1984, the MJSA was awarded a cooperative agreement by the Technical Assistance Division of the Office of Trade Adjustment Assistance. Under the terms of this agreement, MJSA is conducting a "Jewelry Industry Product Diversification Project." Its major goal is the development of an industrywide trade adjustment strategy to enable jewelry producers in Rhode Island and Massachusetts to capitalize on subcontracting opportunities within high tech, electronics and other compatible industries concentrated in the Boston SMSA. A primary program component will be the conduct of in-depth, diagnostic reviews of a limited number of jewelry firms to determine how they can improve their current productivity and can diversify their manufacturing capabilities to accommodate such potential subcontracting opportunities. Key supporting activities include establishing educational and promotional marketing project components, as well as maintaining industry advisory committees and a working group of volunteer, interested jewelry firms.

Although this project is currently still in an early stage, preliminary indications are that many domestic jewelry manufacturers will be able as a direct result to improve their overall productivity and that some will be able to diversify their operations and begin to serve as suppliers to high tech/electronics firms in this region. We firmly believe that several thousand jobs may be saved through this process and, further, that hundreds of new jobs may be created in the region.

It is highly unlikely that a project of this magnitude and importance could have been undertaken without the impetus provided by funds from the TAAP. As we reach the midpoint of the first year of this project, we can say with confidence that many businessmen in our industry feel more optimistic about the future of the industry and their own companies' roles in that future as a result of the efforts generated and anticipated through this project.

We sincerely hope that our partnership with the Trade Adjustment Assistance Program can continue in the future for the benefit of our industry.

Sincerely,

Matthew Runci

Matthew A. Runci
Assistant Executive Director

RICHMOND SALES, INC.

March 28, 1985

The Honorable Sam M. Gibbons
Chairman
House Ways and Means Committee
Subcommittee on Trade
111 Longworth House Office Building
Washington, DC 20515

Dear Congressman Gibbons:

I wish to submit this account of Richmond Sales' experience with the Trade Adjustment Assistance program for the record in conjunction with the April 6 hearings on the TAA program to be held by the House Ways and Means Committee, Subcommittee on Trade.

Richmond Sales was certified as eligible to receive Trade Adjustment services in mid-1984 as a result of a decline in our sales performance over the previous five years and a corresponding decline in employment, largely attributable to increasing competition from imports. The New England Trade Adjustment Assistance Center (NETAAC) conducted a thorough diagnosis of our situation and in July 1984, developed an "Adjustment Proposal" that addressed primary areas where we needed to make improvements to make our company more competitive. NETAAC pointed out that Richmond Sales lacked the technical expertise required to manage a direct marketing operation capable of sustained growth. Further, our information systems, particularly in the area of sales reporting, were in disarray, giving us a less-than-accurate basis on which to make decisions critical to our business.

As a result of the TAA project, Richmond Sales has been able to hire an experienced direct marketing consultant to assist us in implementing a multi-segmented direct marketing plan over a two-year period. We are also developing the computer software necessary to operate the direct marketing system. The total cost of the Trade Adjustment Assistance we have received to date is $3,303, of which Richmond Sales has paid $825.75. In addition, NETAAC was helpful in recommending other improvements in our business which required no federal funding whatsoever, and which have been as valuable, or more valuable, than those improvements funded by Trade Adjustment Assistance. They included the introduction of a toll-free telephone order line, the streamlining of our product line, recommendations to increase price markup, and increased trade show exposure and other special promotional activities. As you can see from the data below, Richmond Sales has made substantial progress since receiving the Trade Adjustment Assistance services:

	For the Period of 07/01/83 - 12/31/83	For the Period of 07/01/84 - 12/31/84
Sales	$ 592,080	$ 849,442
Gross Profit	$ 170,100	$ 244,356
Net Income	$ (14,876)	$ 20,193
Employees	11	15
Wages Paid (including Officer Salary)	$ 69,576	$ 76,163
Retained Earnings	$ 78,100	$ 101,324
Increase in Working Capital	$ (7,935) decrease	$ 26,902

Data Source: Ronald Nani & Co., Public Accts.

I DO NOT THINK OUR COMPANY WOULD HAVE ACHIEVED THESE POSITIVE RESULTS IF IT WERE NOT FOR THE ASSISTANCE OFFERED UNDER THE TRADE ACT.

My personal experience of the incalculable benefits of this program is supported by the hard evidence above. Far from being an exercise in ivory tower theorism, Trade Adjustment Assistance is a pragmatic and logical bootstrap which fosters economic growth and employment in the private sector in a cost efficient manner. To those of us who cherish the free enterprise system, it should be easy to recognize that this program provides a viable impetus for expansion to those companies whose survival is threatened by unfair competition from abroad.

As we near completion of the first quarter of 1985, we expect this year to be our best ever. Our partnership with the Trade Adjustment Assistance program is the reason for this optimistic outlook.

Very truly yours,

Raymond Paria
President

STATEMENT OF WILLIAM R. GANSER, JR., SOUTHERN FOREST PRODUCTS ASSOCIATION

The Southern Forest Products Association represents manufacturers and processors of Southern Pine lumber in twelve Southern states. Fifty-five percent of the total Southern Pine lumber produced in the U.S. comes from SFPA member companies.

We are pleased to submit our views on the reauthorization of the Trade Adjustment Assistance Program for FY 86. The Administration, in an effort to cut the budget to offset rising federal deficits, requested no funding for the program in FY 86. But reauthorization of this program, aiding businesses with technical and financial assistance to combat import competition, is necessary especially with trade deficits doubling in 1984 at an alarming rate of $123 million. This program is also in tune with the times when we see the Administration pressed by Congress and business to resolve trade inequities and to place import barriers on a wide range of goods.

The U.S. softwood lumber industry is plagued by a growing influx of Canadian lumber imports which accounts for nearly one third of U.S. consumption. U.S. mills are operating at about 80% capacity and these imports are contributing to sharp price declines, layoffs of sawmill workers and plant closings.

The program, which is administered by the Department of Commerce, has a current budget of over $25 million with 13 regional trade adjustment assistance centers operating nationwide. As legislative alternatives are explored in Congress to retain this important program, possibly a solution would be to consolidate some of the regional centers, thereby requiring less funding to maintain the program.

Trade deficits are on the rise and imports are hurting the nation's economy and businesses. Lost jobs, production, sales, markets and resources justify funding for this program in FY 86.

TRADE ADJUSTMENT ASSISTANCE FOR WORKERS

MONDAY, JUNE 10, 1985

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON TRADE,
Lorain, OH.

The subcommittee met, pursuant to notice, at 9:15 a.m., in the council chambers, City Hall, Lorain, OH, Hon. Don J. Pease presiding.

[The press release announcing the hearing follows:]

[For immediate release, Tuesday, May 14, 1985]

HON. SAM M. GIBBONS (D., FLA.), CHAIRMAN, SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS, ANNOUNCES A FIELD HEARING IN LORAIN, OH, ON THE TRADE ADJUSTMENT ASSISTANCE PROGRAM FOR WORKERS, JUNE 10, 1985

The Honorable Sam M. Gibbons (D., Fla.), Chairman of the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, today announced plans for a field hearing in Lorain, Ohio, on Monday, June 10, 1985, to review the operation in the midwestern region of the trade adjustment assistance (TAA) program for workers. This program under the Trade Act of 1974 of weekly readjustment allowances, training, and job search and relocation allowances for workers laid off because of increased import competition is due to expire on September 30, 1985. The purpose of the field hearing is to gain on-site knowledge of TAA administration through regional and local employment services and of program benefits and results, in relation to the dislocated worker program under Title III of the Job Training Partnership Act, in order to assist the Subcommittee in considering reauthorizing legislation.

The hearing will be held in the Council Chambers of the City Hall, 200 West Erie Street, Lorain, Ohio, beginning at 9:15 a.m. Testimony will be received from invited witnesses only.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE

All other interested parties wishing to submit written statements for the record of the printed hearing should submit at least six (6) copies of their statements by the close of business Friday, June 14, 1985, to Joseph K. Dowley, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Room 1102 Longworth House Office Building, Washington, D.C. 20515. Written statements must contain the following information.

1. The name, full address, the capacity of the person or organization submitting the statement, as well as a telephone number where they may be reached;
2. A list of any clients or persons, or any organization for whom the statement is submitted; and
3. A topical outline or summary of the comments and recommendations in the full statement.

If those filing written statements for the record of the printed hearings wish to have their statements distributed to the press and the interested public, they may submit 50 additional copies for this purpose to the hearing room in Lorain, Ohio.

Mr. **PEASE**. Good morning.

We welcome you today to the field hearing before the Committee on Ways and Means, Subcommittee on Trade, to take testimony on the Trade Adjustment Assistance Program under the Job Training Partnership Act here in Lorain, OH.

The testimony today will be very helpful to the members in deciding on whether to reauthorize training adjustment assistance and what changes to make in the program.

We wish to thank Congressman Dick Gephardt of Missouri, a member of the subcommittee, for attending this meeting, and to welcome the participation of other Members of the House.

With us, at the moment, Congresswoman Marcy Kaptur of Toledo, to my left; and Congressman Jim Oberstar of Minnesota, on my right, who will be joined shortly by Congressman Feighan and Congressman Seiberling.

Congressman Levin from Michigan and Congresswoman Oakar from Cleveland are currently en route from the Cleveland Airport, having flown in from Washington this morning.

Additionally, we have our representatives from two other offices. Jack Jenkins is here representing Congressman Stokes, and Jan Lyndhurst is here representing Congressman Eckart.

Do any of the members wish to make statements before we call our first panel of witnesses?

STATEMENT OF HON. RICHARD A. GEPHARDT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. GEPHARDT. Thank you, Don.

It is a great honor for me to be here today in Ohio.

I come from St. Louis, which is an area that shares a good many of the same economic problems that you face here in Ohio.

And, as a member of the Trade Subcommittee, along with Representative Pease, I am honored to be here to hear firsthand the feelings, the problems, the sentiments of the people in this area about this important Trade Adjustment Program.

Many years ago, when a Republican administration—under President Nixon, I believe—decided that they wanted to try to pass in the Congress a new trade bill, part of the compact which was reached between Government, business, and labor was that we would have trade adjustment in return for having the change in the tariff and quota laws so that there, at that time allegedly, could be freer trade.

And the problem that I see is that, as the tariffs have stayed in place—and the quotas—the Trade Adjustment Program has withered away. And Don Pease has been a leader in the committee—and in the Congress—in seeing that that part of the bargain is kept by the Federal Government.

This is going to be a big question this year. This administration—it is my understanding—is against the reenactment of the Trade Adjustment Assistance, and so this hearing today will be very important, if nothing else, to understand the problems here in Ohio and in the country generally so that we can more efficiently and successfully advocate the policies that should be carried out at the Federal level with regard to trade adjustments.

So, Don, it is a great pleasure to be here, and I look forward to hearing this testimony today.

Mr. **Pease**. Thank you, Dick.

Jim.

STATEMENT OF HON. JAMES L. OBERSTAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. **Oberstar**. Thank you very much, Don.

For me, also, it is a great pleasure to join you in this hearing today. The reason that I am here is what you see out the window: stockpiles of taconite pellets that come from northern Minnesota in my congressional district.

Our two areas are—and have been—linked, for many years, in a common effort in producing steel. We produce the iron ore, make it into taconite pellets which then are shipped to lower lakeports to be made into steel.

When the steel industry has worked at capacity, the iron ore industry has prospered. When you catch cold and stand in the rain, we catch pneumonia.

We have a common interest in the Trade Adjustment Assistance Act that goes back to 1962.

In the early efforts of the Kennedy round of negotiations on the General Agreement on Tariffs and Trade, which opened America's trade doors to the world, negotiators realized that there would be dislocation in the domestic economy as a result of reducing tariffs, quotas, and other trade barriers.

In exchange, the consensus was that the workers and industries—principally, workers—should be helped to make adjustments to this dislocation; consequently, the 1974 Trade Adjustment Act was intensified to provide a wider array of benefits, and training, and relocation assistance to workers.

What has happened in the last 4 years, however, has been an assault upon the Trade Adjustment Assistance Act, the benefits provided under it such as job training, job search and relocation assistance, and the supplemental compensation.

Meanwhile, the other parts of the bargain have been adhered to. The trade doors have remained wide open and very little effort has been made by the Reagan administration to stem the flow of subsidized imports from companies either owned, controlled or subsidized by foreign governments in competition with American firms. This has resulted in widespread layoffs of American industrial workers.

While those layoffs were occurring, this administration cut back on the trade adjustment assistance benefits, leaving the workers in worse shape than they were before.

It must be the purpose of this Congress to restore the Trade Adjustment Assistance Act. The purpose of these hearings is to give us evidence and information on which to take those actions and make that adjustment.

Mr. **Pease**. Thank you, Jim.

Marcy Kaptur.

STATEMENT OF HON. MARCY KAPTUR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Ms. **Kaptur**. Thank you, Don.

It is a real pleasure for me to join you, at your invitation, and my colleagues here from the House in this extremely important set of hearings.

I venture to say that much of what we hear and learn today will be extremely useful as we debate this legislation in the Congress.

And I think I would want to say to the witnesses who are sitting in the audience that what they are doing today is helping to educate and to bring up to date those of us who will join with you in fighting for this legislation on the floor of Congress in the very near future.

I also want to way that as a Representative of the Ninth District in the Greater Toledo area of Ohio that it is a real honor to be here in our sister city of Lorain, OH, and this is the crossroads of the Great Lakes. The ships that come from Jim's region or the port in Toledo turn to north, to south, to east or to west and go out to other parts of the world. These hearings are very important in the entire context of imports and exports because the future of not only Toledo but of Lorain and the entire Great Lakes system is tied to our ability to compete in international markets.

This legislation is one vehicle that we have to try to ease some of the changes that our workers face.

And I just must say, Don, finally, that I know you were born in Toledo—as was your wife—and we feel that we are sharing you with the Nation; I hope the people of your district know what a strong leader you are, not only on this issue but on so many others that concern our workers and the jobs of the future.

So, thank you very much for the invitation to be here, and I look forward to the witnesses.

Thank you.

Mr. **Pease**. Thank you.

We now have been joined by Congressman Feighan.

Ed, would you like to make any opening remarks?

STATEMENT OF HON. EDWARD F. FEIGHAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. **Feighan**. Thank you, Mr. Chairman.

Just very briefly, let me join you in welcoming our colleagues to Lorain, OH—particularly Congressman Gephardt and Congressman Oberstar and Congresswoman Kaptur who has been a frequent visitor to this region. I think she has a very thorough understanding of the problems that we are facing in northeastern Ohio. They are very similar to the problems that, I think she and her constituents are facing in northwestern Ohio.

I would like to salute you, Mr. Chairman, for conducting this hearing today that I know will be of benefit to the members of Ways and Means, and to Congress generally; but I think it will have a tremendous benefit as well to the people of this entire region so that they can get a full understanding of the importance of retaining the Job Training Partnership Act programs, and the importance of retaining the other Federal programs that have been so helpful to the training efforts in such hard-hit areas in economies such as ours.

And I know that so much of what happens in your community is related to what happens in mine, in the Cuyahoga County area.

I would just like to point out—if I could—that we have had considerable success under both the JTPA and the Trade Assistance Act, particularly with the help of labor.

The United Labor Agency that works out of Cuyahoga County in the past several years has been able to retrain more than 3,000 workers and has had a very high percentage—I recall it at about a 75 percentage rate—of placement from those various programs.

So, it really is, I think, very clear and a direct testimony of the success of those programs.

Not only is it important that we point to the history of success, but I think we have to underscore even more the increasing need for those retraining programs.

We still have more than—just at the United Labor Agency's offices—more than 100 applicants a week for participation in some of those programs.

So, I am hopeful that the testimony that we hear today will point out the successes, the value of retaining funding for the Job Training Partnership Act, as well as for TAA, and will also, where necessary, point out for us the deficiencies of those acts—where they may not be giving a full latitude of services which the working community may need.

So, I am eager to hear the testimony, and it is really applicable to the folks who live in Cuyahoga County. And I really appreciate that you highlighted these concerns for all of us members of Ohio.

And I thank you.

Mr. PEASE. Thank you very much.

I also wish to thank the witnesses on each of the panels for appearing today, especially those who traveled from out of State.

Since we have limited time and want to maximize the opportunity for the members to ask questions, I would request that each of you summarize your statements briefly.

When I say briefly, that means 5 minutes or less, if possible, with the understanding that your written statements will be printed in full in the hearing record.

Our first panel is a panel of once-unemployed workers, some of whom now are reemployed. And I would like to ask them to come to the witness table.

Terrence Stafford, Tedario Smith, Anita Bentley, Jaime Pabon, and Edward Crisp.

This is more formal than we in Congress are accustomed to. We do not usually have this much distance between ourselves and the witnesses, but we like to keep these hearings as informal as possible, and I hope you will proceed without feeling unduly nervous.

We are just basically here to talk with you, and hear your experiences, and to learn as much as we can about how the program is operated.

Let's begin with Mr. Terrence Stafford, who is now a TAA specialist at the Job Search Assistance Center in Duquesne, PA.

Mr. Stafford.

STATEMENT OF JAMES T. STAFFORD, TAA SPECIALIST, JOB SEARCH ASSISTANCE CENTER, DUQUESNE, PA

Mr. STAFFORD. Thank you, Mr. Pease.

My name, as Mr. Pease stated, is James T. Stafford.

I work with the United Steelworkers of America in the capacity of a consultant representing the United Steelworkers in the Mon Valley Unemployment Job Search Center.

I also work at the local 1256 as a retraining specialist for the Duquesne Works.

The areas that I would be talking on would be most of the problem areas and concerns of the Mon Valley—and also with TAA.

By all accounts, the Trade Act has proven to be an invaluable vehicle in bridging the gaps for unemployed workers in transition.

However, its full potential has not been realized in many ways due to the complexities of its certification process.

The certification process—the time lag between application and certification—the law states applicants in process within 60 days from the filing date.

In reality, this has not been the case. It has taken 9 months or longer to get plant certifications.

The ramifications are that the individual's unemployment benefits are being used prior to individual admissions in the training institutions and extends the worker's time in unemployment ranks and decreasing their opportunity for training, as well as relocation benefits.

The extended periods in some cases become that applications and certifications can result in a loss of benefits to the workers due to impact dates.

As for an example, the National Duquesne Works, although considered to be one plant, received one impact date, receiving two different layoffs with a 9-month lag between application and certification.

Some workers from the Duquesne plant lost entitlements to some of their benefits they would have been otherwise eligible.

Communications—failure to communicate laws, procedures, and regulations governing TRA and TAA entitlements in a timely fashion resulting in otherwise eligible workers losing their entitlements due to not applying in a specific time frame.

Amendments, deletions, or changes in the Trade Act regulations are taking an enormous period of time to be filtered down from the Federal level to the local, who provides direct services and information to workers in transition.

In addition, job service employment agencies fail to maintain ongoing and consistent interoffice communication, which can result in workers visiting four different offices and receiving four different interpretations of their eligibility.

Recommendations of other areas of findings would be continuous updating of eligible workers regarding TRA. TAA in unison with JTPA, in order to keep both programs together since the training components of the TRA and TAA Programs are by far more superior for bridging the gap of unemployed workers in servicing their needs and interfacing with the present jobs and future jobs of these workers.

The State job service tends to have other responsibilities and cannot address present trade applications, but the JTPA Program tends to pick up this component that the job service has the inability to cope with.

The queuing problem is a real situation in Harrisburg. In getting the final training contract in place with $14 million at hand, they don't have the time or the services to utilize in placing 3,000-plus applicants on file as of May 10, 1985.

If not served by October 1, 1985, all moneys left must be returned to the Treasury. This will symbolize no need was there, and many displaced American workers' future hopes in bridging this gap would be discarded. Extending their new lifestyle that was bestowed upon them through no fault of their own and will continue to plague their lives in many social and economic problems that develop from it.

Also, to make some other comments on the areas of TAA, many of the individuals that get into training under TAA, have lapsed their 26 weeks unemployment benefits by the time training is available.

Also, the fact that the new law, Public Law 98-369, Pennsylvania has not yet received the regulations for the job services to utilize the potential of this law.

What happens is that when the unemployed person goes to the job service and tells these individuals that this benefit is available to them, job service looks to the fact that they have no regulations regarding this. Therefore, they cannot go by those guidelines as yet.

Public Law 98-369, sections 2671 and 2672, was passed in June of last year.

I had a petition sent to the Secretary by the Steelworkers, and signed by many members, in which they replied to me—which you will find in your appendix of the testimony—that these proposed regulations would be forthcoming—and I received the letter on January 25 and there would be a 30-day public comment period.

Upon February 25, I had not received anything, so I contacted Mr Joseph Gaydos' office. He was very instrumental in getting some information regarding this situation.

He then sent me a correspondence, which you can refer to in your appendix, that alludes to the fact that the comment period would take place on April 15 and be finalized for a 30-day comment period by May 15, and which, thus far, we have not received any realistic information regarding it.

One other area I would like to state on: The cash benefits are very important to keep these stipends because, as they go into training, such as a lot of our colleagues have done, that once they run out of the cash benefits, these individuals have to choose, you know.

How do I get to school?

What money do I use to put in the gas tank?

Or do I use that money in the gas tank efficiently?

Because if I do that, my children—if they have families, such as myself—have to choose between milk on the table or gas in the tank?

And without unemployment, it is very hard.

I will entertain any questions that you may have, and I thank you for your time.

Mr. **Pease**. Thank you very much, Mr. Stafford. That was an excellent presentation, just fine.

[The prepared statement follows:]

STATEMENT OF TERRY STAFFORD, USS WORKERS OF AMERICA (MON VALLEY), LOCAL 1256 CHAIRMAN OF RETRAINING, JOB SEARCH ASSISTANCE CENTER, DUQUESNE, PA

INTRODUCTION

Organizations Represented:

Terry Stafford
USS Workers of America (Mon Valley)
Local 1256 Chairman of Retraining

Areas to be addressed in statement:

A. Mon Valley Plants affected by layoff and are eligible for TRA/TAA

B. Problem Areas and Concerns

C. Comments and Recommendations

AREA A

Mon Valley Plants Affected By Closing and Layoff Due To Foreign Inputs

Within the Mon Valley the USSAW and Local 1256 is comprised of a constituency from the following plants:

PLANT	TOTAL WORK FORCE
Homestead	6000
Edgar Thomson	1470
Duquesne	4500
National	6500
Irvin Works	3200
Clairton	3000
Christy Park	52
	24,722

Of the seven aforemention plants, National and Duquesne are the only two which has received full TRA/TAA Certification Benefit under the Trade Act. The total work force of these facilities represent approximately 11,000 workers.

Clairton, Edgar Thomson has applied for and received partial certification under the Trade Act. Total population consists of approximately 4470 workers.

Homestead and Christy Park applied for and received partial TRA/TAA benefits under the old certification rules. Both plants have applied for TRA/TAA benefits under the new certification rules. As of August 1984, Homestead was determined, by the Department of Labor and Industry to be ineligible to receive new Certificate Benefits. However, Christy Park's proposal is currently pending litigation. Of these two facilities 6052 workers are affected.

The only plant of the seven that failed to receive benefit under the old and new certification rules was Irvin Works. Its' population is approximately 3200 workers.

The total number of workers either directly or indirectly affected by Trade Act in the Mon Valley is approximately 24,722.

AREA OF CONCERN

By all accounts the Trade Act has proven to be an invaluable vehicle in bridging the gap for unemployed worker in transition. However its full potential has not been realized in many ways due to the complexity of its certification process.

CERTIFICATION PROCEDURES

Time lag between application and certification. The law states application is processed within 60 days from its filing date.

In reality, the average time span is 9 months or longer.

Ramifications are:

The individuals unemployment benefits are being used prior to the individuals admission in to training institutions.

It extends the workers time in the unemployment rank and decreases their opportunity for training as well as relocation benefits.

The extended period in some cases, between application and certification can result in, the lost of benefis to the worker due to impact date, for example:

> The National Duquesne Works although considered to be one plant and receive one impact date, received two different layoff dates. With a nine month lag between application and certification, some workers from the Duquesne Plant loss entitlement to some of their benefits. They would have been otherwise entitled to.

COMMUNICATION

Failure to communicate law

Procedures and regulations governing TRA/TAA entitlements in a time fashion resulted in otherwise eligible workers losing their entitlement due to not applying in the specified time frame.

Amendment, deletion, or changes, in the trade act regulation are taking an inordinate period of time to be filtered down from the Federal level to those at the Local who provide direct service and information to workers in transition.

IN ADDITION

Local Job Service Employment Agency failed to maintain ongoing and consistent interoffice communications which can result in a worker visiting four different offices and receiving four different interpretations to their eligibility status.

RECOMMENDATIONS

1. Certification Procedures

    Establish a realistic time period between application and certification that all parties can adhere realistically to.

    Develope a task force which would monitor and insure the applicant to the established time frame.

2. Communication

    Design and implement a comprehensive network in procedures which will insure Entitlee are notitied of this eligibility status within 30 days.

    Eliminate ambiguous and subjective interpretation of the Trade Act roles and regulations by individual Job Search Agencies.

    Provide a 30 day update of any changes, deletion, or addendum to existing trade act rules, policies and procedures.

APPENDIX

I. Importance Fact and Information TRA/TAA

II. Computer Message Transmittal Memo

III. Correspondence from U.S. Department of Labor to PL-98-369 Regulation Law

IV. Correspondence with regards to proposal rules for PL-98-369 from Joseph M. Gaydos

V. Sample list of successful program recipients of TRA/TAA provided

Important Facts and Information

about

Trade Readjustment Act (TRA)
Trade Adjustment Assistance (TAA)

TRA and TAA came about in 1962 as which time it was too stringent for anyone to use. 1974 the Act was amended, which enabled a large number of individuals to be eligible. Since that time there have been additional amendment to assist the program.

The purpose of the Act was to compensate workers for loss or reduction of employment related to the impact of imports from other countries (dumping).

What is TRA?

TRA is a weekly trade readjustment allowance following the exhaustion of unemployment insurance benefits.

What is the eligibility process?

Qualifying for trade readjustment allowances(TRA)

To qualify for TRA you must:

- Be covered by a certification: Some plants or divisions of plants have been certified for TRA.
- Be laid off due to lack of work in adversely affected employment.
- Be laid off on or after the impact date and before the ending date of the certification.
- Have worked at least 26 weeks at wages of $30 or more a week in adversely affected employment with a single firm or subdivision in the 52-week period ending with the week of separation (up to 7 weeks of non-work for specified reasons may be counted).
- Have been entitled to and have exhausted all rights to unemployment insurance benefits.
- Meet the same weekly work test applicable to claimants for extended unemployment insurance benefits, including actively seeking applying for and accepting work within your capabilities.

The first week for which you may be eligible for TRA must begin more than 60 days after the filing date of the petition which was certified by the Labor Department.

If you do not qualify for TRA, you may still be eligible for reemployment services, training, and job search and relocation allowances.

Eligibility Requirements:

In order to be eligible for trade adjustment assistance, workers must meet the following requirements:

1. Must have worked in a certified unit at least one day on, or after, the impact date specified in the certification.

2. Must have worked twenty-six weeks in the fifty-two weeks prior to layoff at wages of at least $30. The following may be counted in the twenty-six weeks worked formula:

   - up to 3 weeks of employer authorized leave (Military, sick, vacation, maternity, etc.);

   - up to 7 weeks of absence covered by workers' compensation;

   - the total of the above may not exceed 7 weeks.

   EXAMPLE 4 weeks of vacation plus 3 weeks of workers' compensation: total counted as employment is 6 weeks because only 3 weeks may be attributable to vacation.

3. Must in all other respects be eligible for state unemployment insurance.

What amount of money will I get from TRA?

If you qualify for TRA, the weekly amount of your TRA will be the same as the amount of the State unemployment insurance benefits you were receiving immediately before you exhausted your rights to such benefits and became eligible for TRA. Your TRA will be reduced by any earnings or other income you receive the same as such earnings and income would have reduced your weekly unemployment insurance benefits. Your TRA will also be reduced by the amount of any Federal training allowance you are entitled to for the same week.

How long does TRA money last?

If you qualify for TRA, you will have a 52-week eligibility period in which you can be paid TRA. This period will begin with the first week after you exhaust your regular unemployment insurance benefits including Federal extensions.

The maximum amount of TRA you may receive during this period is limited to 52 times your TRA weekly amount minus all unemployment insurance benefits which you were entitled to receive. See example below:

State Unemployment Compensation	Extended Unemployment	TRA
26 WEEKS -------	26 WEEK + 13 WEEKS = 39 26 WEEK + FSC = ?	52 WEEK MAXIMUM WITH TRA WEEK DUE = 52 - ? WEEK DUE

What is TAA?

TAA is a special adjustment assistance available under the Trade Act to workers who lose their jobs or whose hours of work and wages are reduced as a result of increased imports which directly effected their job.

Component parts:

1. Training

   The eligibility for training is not lost as long as you qualify for TAA and the law is still in effect. For additional cash benefits:

   Workers must request training within 210 days from their TRA eligibility date or they forfeit the additional 26 weeks of cash allowances. The actual training period may begin after the 210-day period.

   TRA Program will pay IN FULL ALL TUITION, BOOKS AND REGISTRATION FEES AND UP TO $700 IN TOOL COST.

   All persons who enroll and complete the 16 hour workshop at the Job Search Assistance Center in Duquesne are considered as JTPA participants. This enables certified individuals under the TRADE ACT to reactivate the relocation and job search allowances for another 182 days after the successful completion of the 16 hour workshop.

2. Obtaining a job search allowance:

   A job search allowance may be payable to cover expenses incurred in seeking employment outside your normal commuting area. You may be paid 90 percent of necessary transportation and living expenses (up to a maximum of $800 * New Legislation PL98369 Section 2671, 2672) while searching for such employment.

   There are time limits for filing applications for job search allowances. You must file for job search allowances within 365 days after the date of certification or 365 days after the date of your last total separation, whichever is later, or within 182 days after completion of training. **Therefore, it is important that you visit your local Job Service office and file an application before beginning your search for work outside your normal commuting area.** Only travel within the United States is authorized.

3. Obtaining a relocation allowance:

   If you are successful in obtaining employment outside your normal commuting area, the TAA program offers financial assistance for you to relocate to your new area of employment.

   A relocation allowance pays 90 percent of the reasonable and necessary expenses of moving you, your family, and your household goods (not to exceed the weight limit authorized in Federal travel regulations) to the new location. Additionally, you will receive a lump sum payment equal to three times your former average weekly wage (up to a maximum of $800 * New Legislation PL 98369 Section 2671, 2672) to help you get settled.

To apply for a relocation allowance, go to your local Job Service office. Your application must be filed and approved before moving. Your application may be approved if it is determined that no suitable work is available in your home area and that you:

- Have obtained suitable work of long-term duration or a bona fide offer of such work in the area within the United States to which you will move.
- Have not previously received a relocation allowance under the same certification.
- Are totally separated from employment at the time of relocation. Partially separated workers may apply in anticipation of total layoff.

There are time limits for filing an application for a relocation allowance. You must file for a relocation allowance within 425 days after the date of certification or 425 days after your last total separation, whichever is later, or within 182 days after completion of training.

Also, you must relocate within 182 days after you apply for a relocation allowance or 182 days after you complete training.

You must have a legitimate job interview in order to request a job search allowance. **You must request the job search allowance at the Pennsylvania Job Service prior to your departure.**

You must also request the relocation allowance prior to your move. You **must be moving 45 miles or more away from your present residence.**

Relocation Payments

The applicant may be eligible to receive relocation allowances for the following items:

1. Travel from the applicant's residence to the area of relocation by private automobile or most economical public transportation, reimbursement not to exceed 90% of the allowable mileage rate or actual cost of public transporation.
2. Moving expenses incurred in transporation of up to 11,000 pounds of the individual's household goods to the area of relocation, not to exceed 90% of actual cost.
3. Relocation allowance (Lump Sum Payment), equal to three times the applicant's average weekly wage, not to exceel $800 * New Legislation PL98369 Section 2671,2672).
4. Subsistence allowance for those days that the individual was in transit during the relocation. Reimbursement will not exceed 90% or the figure in the actual cost column.

COMPUTER MESSAGE TERMINAL

DATE: APRIL 4, 1985
SUBJECT: TAA APPROVAL ONE STOP CENTER
CATGORY: JOB SEARCH PROGRAMS
TO: MANAGERS - EAST, NORTH, SOUTH, MCKEESPORT, CARNEGIE
NEW KENSINGTON
FROM: JAMES C. FRYE
REGIONAL DIRECTOR - JOB SERVICE
REGION 6 - PITTSBURGH

The United States Steel Job Search Center in Duquesne, Pennsylvania, has received a grant from the Allegheny County service delivery area. All persons who enroll at the Job Search Center will be considered as JTPA participants and appropriate enrollment documents are submitted through the Allegheny County SDA.

Under the trade act, all adversely affected workers who are enrolled in a JTPA funded training program have 182 days from completion of such training to file for Job Search and/or relocation benefits under the trade act. When individuals who have participated at the Job Search Center apply for trade act Job Search or relocation benefits, it will be necessary that the local office verify the date on which the individual completed JTPA participation. Participation is defined as active enrollment in a program and does not include the 90-day "HOLD" category established for follow-up purposes.

You are reminded that in order for training to be approved under the trade act for purposes of applying for the 26 additional weeks of trade readjustment allowances, such training must be conducted at a facility licensed or approved by the department of education and must be vocationally oriented. This requirement for approval of training applies even if the training is funded by JTPA.

Additional questions in this regard may be directed to Mr. Raymond Staresinic at 8-645-5330.

JOSEPH M. GAYDOS
20TH DISTRICT, PENNSYLVANIA

COMMITTEES
EDUCATION AND LABOR
CHAIRMAN
SUBCOMMITTEE ON HEALTH AND SAFETY
HOUSE ADMINISTRATION
CHAIRMAN
SUBCOMMITTEE ON CONTRACTS AND PRINTING

Congress of the United States
House of Representatives
Washington, D.C. 20515

[illegible] RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
[illegible]

DISTRICT OFFICES
[illegible] FIFTH AVENUE
McKEESPORT, PENNSYLVANIA [illegible]
[illegible]
[illegible]

[illegible] FOURTH AVENUE, ROOM [illegible]
NEW KENSINGTON, PENNSYLVANIA [illegible]
[illegible]

April 22, 1985

Mr. James T. Stafford
Chairman of Retraining Committee
United Steelworkers of America
R. D. #1, Oak Creek Drive
West Newton, Pennsylvania 15089

Dear Mr. Stafford:

Enclosed is a response I have received from the Employment and Training Administration relative to my inquiry on your behalf.

I believe you will find the enclosed communication self-explanatory; however, should you desire any additional information or assistance, please feel free to contact me.

With best wishes, I remain

Sincerely yours,

Joe Gaydos
JOSEPH M. GAYDOS, M. C.

JMG:ws

Enclosure

(IV)

U.S. Department of Labor

Employment and Training Administration
601 D Street, N.W.
Washington, D.C. 20213

25 JAN 1985

Mr. James T. Stafford
Job Search Consultant
U.S. Steel
One Library Place
Duquesne, PA 15110

Dear Mr. Stafford:

In your January 2 letter, to Under Secretary Ford B. Ford, you enclosed petitions signed by steelworkers in Western Pennsylvania calling for immediate publication of regulations by the Department of Labor to implement amendments to the Trade Act of 1974 in the Deficit Reduction Act of 1984 (Public Law 98-369).

We concur fully on the need to issue regulations implementing Section 2671 and 2672 of Public Law 98-369. Proposed regulations have been prepared. Our goal is to publish the regulations as proposed rule soon with a 30 day public comment period. Comments will be considered and necessary changes made promptly so that the implementing regulations can be issued as final rule.

A copy of this letter is being sent to all signers of the petition who furnished a complete address.

Sincerely,

JOYCE KAISER
Acting Administrator
Office of Employment Security

U.S. Department of Labor

Employment and Training Administration
601 D Street, N.W.
Washington, D.C. 20213

[illegible] 18

Honorable Joseph M. Gaydos
Member, U.S. House of Representatives
318 Fifth Avenue
McKeesport, Pennsylvania 15132

Dear Congressman Gaydos:

Thank you for your March 22 communication enclosing correspondence from Mr. James T. Stafford, Chairman of Retraining Committee of the United Steelworkers of America. Mr. Stafford asked about the publication of regulations implementing amendments to the Trade Act of 1974 in Sections 2671 and 2672 of the Deficit Reduction Act of 1984 (Pub. L. 98-369).

Proposed regulations implementing Sections 2671 and 2672 were published in the Federal Register on Monday, April 15, 1985. Thirty days have been scheduled for public comment. All comments will be considered, necessary changes made to the regulations, and then they will be published as a final rule.

A copy of the proposed regulations are enclosed for your convenience.

Yours truly,

MARVIN M. FOOKS
Director, Office of
Trade Adjustment Assistance

Enclosure

DEPARTMENT OF LABOR

Employment and Training Administration

20 CFR Part 635

Trade Adjustment Assistance for Workers

AGENCY: Employment and Training Administration, Labor.

ACTION: Supplemental proposed rule.

SUMMARY: The Department of Labor proposes to revise the proposed regulations for implementing the program of trade adjustment assistance for workers (TAA Program) provided under Chapter 2 of Title II of the Trade Act of 1974 (Pub. L. 93–618), as amended by Title XXV of the Omnibus Budget Reconciliation Act of 1981 (Pub. L. 97–35).

These proposed regulations implement the amendments to the Trade Act of 1974 in sections 2671 and 2672 of Pub. L. 98–369—the Deficit Reduction Act of 1984. Implementation of these sections necessitates revising the proposed rule on Trade Adjustment Assistance for Workers published Friday, March 4, 1983 in the **Federal Register** at 48 FR 9444.

The proposed rule at 20 CFR Part 635 will be published at 20 CFR Part 617 as a final rule. Part 635 was subsequently assigned to Job Training Partnership Act (JTPA) regulations now published as a final rule.

Proposed rule for sections 2671 and 2672 of Pub. L. 98–369 will correspond to existing proposed rule at 20 CFR Part 635 published on March 4, 1983 but will be renumbered to Part 617 when published as a final rule.

Sections 2671 and 2672 of Pub. L. 98–369 amend the Trade Act of 1974 (1) to enable workers to receive up to 26 additional weeks of Trade Readjustment Assistance (TRA) allowance by beginning the additional 26-week period

with the first week the worker is in training, if such training was applied for in a timely manner and is approved after the last week of basic TRA entitlement, and (2) to increase the maximum amount payable for job search allowances and maximum lump sum amount payable for relocation allowances from $600 to $800.

DATE: Written comments on these proposed regulations must be received by the Department of Labor on or before May 15, 1985.

ADDRESS: Send comments on these proposed regulations to the U.S. Department of Labor, Employment and Training Administration, Room 6434, Patrick Henry Building, 601 D Street NW., Washington, D.C. 20213.

All comments received will be available for public inspection during normal business hours, in Room 6434 at the above address.

FOR FURTHER INFORMATION CONTACT: Marvin M. Fooks, Director, Office of Trade Adjustment Assistance, Employment and Training Administration, U.S. Department of Labor, 601 D Street NW., Washington, D.C. 20213, telephone (202) 376-2646 (this is not a toll-free number).

SUPPLEMENTARY INFORMATION: The Trade Act of 1974 made major changes in the TAA program for workers displaced from employment because of increased imports of articles like or directly competitive with articles produced by the workers. On the filing of a petition by a group of workers or their representative, the Department of Labor conducts a factfinding investigation of adverse impact of imports and if it finds that the workers of a firm or a subdivision of a firm have [redacted] by import competition, a certification is issued declaring that the adversely affected workers are eligible to apply for Trade Adjustment Assistance (TAA). In the Deficit Reduction Act of 1984 further changes were made [illegible] Program. The amendments proposed in this document [redacted]

The amended TAA provisions are designed to help certified workers who apply for occupational training and additional weeks of TRA on a timely basis to avoid losing weeks of TRA because of delays in approving training for [redacted]. The amendments are also designed to pay higher job search allowances and relocation allowances to bring the levels more in line with present costs for these activities."

Drafting Information

This document was prepared under the direction and control of the Director of the Office of Trade Adjustment Assistance, Employment and Training Administration, U.S. Department of Labor, 601 D Street, N.W., Washington, D.C. 20213, telephone: (202) 376-2646 (this is not a toll-free number).

Classification—Executive Order 12291

The proposed rule in this document is not classified as [redacted] under Executive Order 12291 on Federal Regulations, because it is not likely to result in (1) an annual effect on the economy of $100 million or more, (2) a major increase in costs or prices for consumer, individual industries, Federal, State, or local government agencies, or geographic regions, or (3) significant adverse effects on competition, employment, investment, productivity, innovation, or the ability of United States based enterprises to compete with foreign-based enterprises in domestic or export markets. Any added costs to the extent that they exist do not represent new burdens imposed by the proposed regulations. Accordingly, no regulatory impact analysis is required.

Regulatory Flexibility Act

The Department believes that this proposed rule will have no "significant economic impact on a substantial number of small entities" within the meaning of 5 U.S.C. 605(b), as provided in the Regulatory Flexibility Act. While this rule will affect those agencies in small States that adminster the TAA Program, most current TAA Program recipients are generally concentrated in larger industrial States, where jobs have been "hardest hit" by foreign import competition.

States may find some increased administrative costs for reviewing worker applications for training and TRA [illegible] on file when the statutory changes are implemented. However, most of the operating mechanisms needed for the proposed TAA program are in place through the State Employment Security Agencies, including benefit payments, appeals, work search and work test procedures and relocation allowances payment and approval of training assistance. This will assure that any additional administrative costs are minimal. Moreover, these costs will decline over time as adversely affected workers find reemployment in substantially equivalent jobs. The Under Secretary of Labor has certified to the Chief Counsel for Advocacy of the Small Business Administration to this effect.

Accordingly, no regulatory flexibility analysis is required.

List of Subjects in 20 CFR Part 635

[redacted]

Words of Issuance

For the reasons set out in the preamble, proposed Part 635 to Title 20 of the Code of Federal Regulations (as published on [redacted], 48 FR 9444) is proposed to be amended as follows:

1. The authority for Part 635 is revised to read as follows:

Authority: Sec. 248, Pub. L. 93-618, 88 Stat. 2029, 19 U.S.C. 2320; Secretary's Order No. 3-81, 46 FR 31117; Pub. L. 97-35; and [redacted]

2. Paragraphs (b) and (c) of § 635.15 are revised to read as follows:

§ 635.15 [redacted]

* * * * *

(b) *Additional weeks*. (1) [redacted] individual to complete training approved under Subpart [illegible] of this Part, [illegible] payments may be made as [illegible] up to 26 additional weeks [illegible] period that—

(i) Follows the last week of entitlement to basic [illegible] payable under this Part [illegible] individual, or

(ii) Begins with the first week of such training, if the training is approved after the last week described in paragraph (b)(1)(i) of this section.

(2) To be eligible for TRA for additional weeks, an individual must make a bona fide application for such training—

(i) Within 210 days after the date of the first certification under which the individual is covered, or

(ii) If later, within 210 days after the date of the individual's first qualifying total or partial separation.

(3) Payment of TRA for additional weeks may be made only for those weeks in the 26-weeks period during which the individual is [redacted] in training and has not been [illegible] under § 635.16(b)(2) of this Part to be failing to make satisfactory progress in [redacted].

(c) *Limit*. In no case may an individual receive TRA for [redacted] the basis of a single certification of eligibility to apply for adjustment assistance.

* * * * *

3. Paragraph (b) of § 635.34 is revised to read as follows:

§ 635.34 Amount.

* * * * *

(b) [redacted]. The total job search allowances paid to an individual under a certification may not exc[redacted], regardless of the number of job searches undertaken by the individual. The amounts otherwise payable under paragraph (a) of this section shall be reduced by any amounts the individual is entitled to be paid or reimbursed for such expenses from any other source.

* * * * *

4. Paragraph (a)(3) of § 635.45 is revised to read as follows:

§ 635.45 [redacted]ount.

(a) *Items allowable.* The amount payable as a relocation allowance shall include the following items:

* * * * *

(3) A lump sum payment, equal to 3 times the individual's average weekly wage, not to exceed $800.

* * * * *

5. Section 635.65 is added as follows:

§ 635.65 Transition procedures for Amendments in sections 2671 and 2672 of Pub. L. 98-369 (Deficit Reduction Act of 1984).

The procedures for administering the Trade Act of 1974 as amended by the Deficit Reduction Act are as follows:

(a) *TRA.* The provisions in Subpart B of this Part 635 apply to workers who would lose additional weeks of TRA payments because of delays in approving applications for training. Workers who filed timely bona fide applications for training and additional weeks of TRA on or after December 18, 1983 shall be eligible to receive additional weeks of TRA payments beginning the first week of training when their applications for training are [redacted], and the first week of such training begins later than the first week which follows the last week of entitlement to basic TRA. Workers whose applications for training were approved [redacted] 1984 are covered under the provisions of the Trade Act of 1974 as in effect prior to July 18, 1984 and are not entitled to additional weeks of TRA by reason of the amendment in section [redacted] of the Deficit Reduction Act of 1984 or § 635.15(b) of this Part.

(b) *Job Search Allowances.* (1) The provisions in Subpart D of this Part 635 shall apply to timely applications for job search allowances [redacted].

(2) Workers whose applications for job search allowances that were filed timely but were approved [redacted] 1984 would be covered under the provisions of the Trade Act of [redacted]ld not be [redacted] in [redacted] 2672 of the Deficit Reduction Act of 1984 and § 635.34(b) of this Part.

(c) [redacted]. (1) The provisions in [redacted]35 shall apply to [redacted]r relo[redacted]ed [redacted].

(2) Workers whose applications for relocation allowances were filed timely but were approved before July 18, 1984 would be covered under the provisions of the Trade Act of 1974 in effect prior to July 18, 1984, and would not be entitled to receive the increase in the lump sum allowance level provided in section 2672 of the Deficit Reduction Act of 1984 and 635.45(a)(3) of this Part.

6. The Table of Contents for Part 635 is amended by adding at the end thereof "635.65 Transition Procedures for amendments in section 2671 and 2672 of Pub. L. 98-369 (Deficit Reduction Act of 1984)."

[redacted]

Frank C. Casillas,

Assistant Secretary of Labor.

[FR Doc. 85-8898 Filed 4-12-85; 8:45 am]

[redacted]

		DUQUESNE CENTER
1.	James Antenucci	1-16
2.	Margaret Azzari	2-28
3.	Joe Bacco	3-06
4.	George Baldosky	2-28
5.	Joseph M. Barish	2-19
6.	Donald G. Barca	2-19
7.	Michael Bish	1-25
8.	Thomas D. Basey	2-19
9.	Raymond Bodnar	2-19
10.	Bernice A. Bonafice	3-22
11.	Russell L. Boyle	2-19
12.	William Bouton	2-19
13.	Charles C. Braddock, Jr.	2-19
14.	Keith J. Braddock	2-19
15.	David E. Carman	3-06
16	Andrew R. Chuba	2-19
17.	Paul D. Conn	3-06
18.	James F. Connolly	2-28
19.	Dennis R. Crosby	1-16
20.	Kenneth Demmler	2-19
21.	Robert C. DeVille	2-19
22.	William V. Dixon	2-22
23.	John A. Eizenhafer, Jr.	1-16
24	Ralph Falvo	2-19
25.	Harold Fife	3-22
26.	John Fisher	2-19
27.	Patrick Furlong	2-19
28.	Gregory Hamer	2-19
29	John Haraburda	3-22
30.	George Higgis	2-22
31.	Jerry A. Hood	2-22
32.	Anthony M. Hutskow	
33.	Thomas S. Ignatz	2-19
34.	James B. Justice	2-19
35.	Michael L. Kerston	3-06
36.	David Kiehl	2-22
37.	Thomas Kuchma	1-16
38.	Richard E. Kumf	2-22
39.	David Kutzfar	3-06
40.	Anthony J. Lepako	2-19
41.	Paul Leskanic	2-19
42.	Harry McClellen	3-06
43.	Robert McCormic	3-22
44.	Karen A. McKeever	1-16
45.	Andrew Macey	3-06
46.	Jack A. Makepeace	1-25
47.	Larry Mazer	2-19
48.	James Minarchin	2-19
49.	Vincent M. Molino	3-22

50.	Nancy M. Moore	1-16
51.	George C. Pambacas	1-25
52.	Michael J. Pesta	2-22
53.	Walter A. Petroski	2-19
54.	Daniel Petrovich	1-16
55.	Allen J Pierce	2-19
56.	Steve J. Polyack	2-19
57.	David Possumato	2-19
58.	Michael R. Quinn	2-19
59.	Raymond Raeff	3-06
60.	Terry Rannigan	3-22
61.	William Reo	2-22
62.	James E. Reynolds	3-06
63.	Todd A. Ross	3-06
64.	John R. Rusnak	3-06
65.	Joseph J. Sapienza	3-06
66.	Bernadette Schultz	2-19
67.	Francis Sincak	3-06
68.	James L. Skilone	2-28
69.	Charles C. Smith	2-19
70.	Robert Smith	3-06
71.	Norman Soloman	3-22
72.	John J. Spisak	
73.	Michael Stanzel	1-12
74.	James Stafford	1-16
75.	Edward V. Stefanik	2-19
76.	Greg Stipanovich	1-12
77.	Richard L. Stokes	2-19
78.	John J. Sudanic	2-22
79.	Emil Suieta	2-19
80.	John Sweeney	2-19
81.	Steven Thomas	2-19
82.	James Thomson	2-25
83.	Louis Traynor	2-19
84.	Albert Varosi	2-19
85.	Richard Vatral	3-22
86.	Stephen L. Visocky, Jr.	2-19
87.	Joseph Vorkapich	3-22
88.	Kenneth Weaver	2-19
89.	Bruce A. Whitney	2-22
90.	Arthur Wilkins	2-22
91.	June M. Wilson	2-19
92.	Gregory A. Woodruff	3-22
93.	George E. Yaroscak	3-22
94.	Carlo A. Zampetti	2-19
95.	Robert Zeok	2-19
96.	Patrick J. Zorich, Jr.	3-06
97.	Ernest J. Zsemko - OJT	3-22
98.	Paul R. Allison	3-22

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Mr. **Pease.** I think we will go through all of the witnesses on the panel, and then ask for questions from the Members of Congress—for all of you, or any of you.

Next, Mr. Smith, who according to my sheet is a Lab Instructional Aide in Lorain, OH.

STATEMENT OF TEDARIO SMITH, LAB INSTRUCTIONAL AIDE, LORAIN, OH

Mr. **Smith.** My name is Tedario Smith, and I am a laid-off steelworker from Lorain, Cuyahoga Works in the city of Lorain, and I have been out of work now for approximately 3 years with the exception that I have a part-time job at our local college.

I would like to thank Congressman Pease, and members of the staff, for giving me this opportunity to speak with you concerning the need and the merit for the TAA Program.

It is difficult to express in words what happens to an individual who suddenly loses his job through no fault of his own. The impact can be devastating. The work ethic is deeply rooted in the very fabric of American society. To be denied the inherent right to work for a fair wage in exchange for a productive day's labor is, in my opinion, an injustice.

When an individual loses his job, not only does he forfeit his financial standing in his community, his self-worth is also diminished as well, for a man is known in his community by the work he performs. It does not matter so much where he works, what he does, or even what he earns. It simply matters that he works.

To be without work is a frightening experience, to say the least, but to be abruptly snatched from what to many of us is the mainstream of American life can only be described as terrifying. The very basic necessities become primary concerns: How to pay the rent, buy food, clothing, et cetera. God forbid that a major medical expense should arise.

The extended family, at one time, was considered not only a haven for emotional support, but for financial support as well; but, in many cases, even these resources have diminished and, in some cases, disappear altogether.

In this community particularly, it is not unusual for a manufacturer to employ several generations of one family. When layoffs, as we have experienced, occur, entire families are devastated. When a father, a brother, a sister, an uncle, and a cousin are all without work, it is difficult to know where to seek help.

The ripple effect of an economic downturn is acutely felt throughout the entire community. Our business communities have failed many of us, after years of hard work, dedication, and loyalty by our forefathers, who worked diligently with the expectations that they would be able to pass on their legacy to their children, who were raised to believe that one day they would fill the jobs their fathers once performed. These jobs were located in the smokestack industries, across the street from the schoolyard, or across town in many communities throughout the Midwest.

In the first half of the decade of the 1980's, we have witnessed vast numbers of cutbacks in auto, steel, and textile industries. These cuts have disproportionately affected many who are semiskilled or blue-collar laborers. We are now being told that positions such as materials handling, crane operators, furnace laborers, and assemblers, once well-paying positions, are obsolete, and, as such, are being disposed of like junk on a scrap pile.

Our schools have failed us by not placing enough emphasis on the fundamental skills, reading, writing, and arithmetic. Further compounding the problem is too much generalization and not enough specialization in the area of business and technologies. All too often, student after student would just pass through the public school system without ever mastering the most basic of skills.

Because of this, we must take into consideration that it will be a slow process to reeducate and to help reassimilate those individuals displaced by what has taken place in the country's social and economic composition. Reassimilation, though, is not standing in line at a food stamp office, or at the community Salvation Army Depot. Reassimilation is a full employment of vast numbers of displaced workers in viable jobs through reeducation and job training programs. And while we realize that we cannot all be entrepreneurs or innovators in this streamlined, high-technology industry of tomorrow, we can all work.

The TAA Program, while not being the only solution to the unemployment program that many face, it might well prove to be a substantial first step.

My own situation, as a prime example of this crucial first step, on June 16 of this year, I will receive my associate degree in applied sciences from Lorain County Community College.

The TAA Program was instrumental in easing the financial burden that I, and many other displaced workers, have to confront to pay for books, supplies, and tuition, all of which were constantly on the rise. In the 3 years that I attended Lorain Community College, the cost per credit hour increased from $19 to $21 per credit hour, a price that I—and many others—would not be able to afford without the assistance of the TAA Program.

To those bureaucrats who are reluctant to give their aid and support to the continuation of this TAA Program, I will challenge you to do two things.

First, take your paycheck, your checkbook, your credit cards, and put them all away. Then try to survive for a month without any traditional means of income. Imagine what it must be like for those who are jobless, uneducated, and unskilled, who must rely upon the indifference of bureaucratic, redtape specialists to provide the basic and most fundamental human necessities.

Second, stand in any unemployment line with many of your family members and friends. Able-bodied men and women seeking help. And just listen. Don't speak. It will not be unusual to hear stories about people losing their homes, having their automobiles repossessed, or having their marriage fall apart. It is a common occurrence to hear of people struggling with utilities and their efforts to keep lights, gas, and water from being shut off.

After meeting this challenge for a month, imagine what it must be like for individuals, who have lived this nightmare for 3 years or longer, with no immediate end in sight—only hope.

I must commend the efforts being made by individuals who sponsor the TAA program. Through their efforts, I, and many others, will graduate from Lorain County Community College this spring with the hope for a better employment future. I must, however, emphasize that the idea of reeducation and training in itself as being the remedy for many problems faced by the unemployed is misguided optimism. I have personally sent over 60 resumes in response to job advertisements and have yet to receive a single positive inquiry.

It will take a more concentrated effort by the American industrial community to deliver on a squeaky-clean Madison Avenue image developed for many of them. The time for flag-waving optimism is passing, and a more pertinent commitment by industry is necessary. Industry and Government together must recognize that this country's greatest assets are its people. A major investment in its people will yield returns for many generations to come.

Thank you.

Mr. PEASE. Thank you, Mr. Smith. We appreciate your testimony.

Next, we will have Anita Bentley.

STATEMENT OF ANITA BENTLEY, NUCLEAR MEDICAL TECHNICIAN, LORAIN, OH

Ms. BENTLEY. I would like to thank Congressman Pease for giving me the opportunity to speak, as well as the TAA Program.

I am a single parent, a mother of four children, and during their early years I struggled either by being on Aid to Dependent Children or by having jobs that never paid enough to get by on, let alone to get ahead on.

I have had various jobs—a secretary, Head Start bus driver, a food service jobber, and a vending hostess, and none ever paid more than minimum wage.

Due to my limited education, I had little hope of finding a well-paying job. I did have a high school diploma and even a year in college, but, these days, that doesn't get you very far.

Then in April 1979, I was hired by Ford Motor Co., and I felt very fortunate and excited, because, finally, I felt very secure in my future.

I figured I would work there and eventually retire. After all, people would always have the need to have an automobile, and I would finally be able to buy things for my children that I had never been able to buy before—not just luxuries, but necessary things in life. But I had worked there less than a year when I found out this was not true.

They started to lay people off—a week here, and a week there, and then for 2 and 3 weeks at a time. And they started to lay people off indefinitely.

I had a classified position so I got to stay on approximately 6 months longer than I would have had I not had a classified job.

I was laid off indefinitely in August 1980, and, once again, I had to face an uncertain future.

After drawing all of the unemployment benefits that I was entitled to, it was back to welfare roles for me. And this was something I detested doing, because I fought so hard and long to get out of that rut, but there were no jobs available, and the ones that were available just couldn't pay enough. I knew then that I had to go back to school. It was the only alternative for me.

In 1982 I went back to Lorain County Community College full time. I had some credits already built up from the year in 1973 and 1980. I chose to go into nuclear medicine. It sounded like a fascinating field, and it meant working closely with people which was something I always enjoyed doing. Also, the field is still pretty new and unflooded, so there are jobs available all over the United States for nuclear medicine technologists.

I learned about the TAA Program through my good friend at the employment office, Ella Tomka. She suggested I apply for it, and I was approved for the program.

TAA financed the year at Lorain County Community College and my year in the nuclear medicine program, which includes 4 very hard months at the Nuclear Medicine Institute at Findlay College, and 8 months of clinical training at an affiliate hospital, and I am presently in my sixth month of clinical training at St. Joseph's Hospital in Lorain.

I would like to briefly take this opportunity to thank the people associated with TAA who gave me the opportunity to start fresh in a new career. One person I would like to thank especially is Ella Tomka. Through all of this, she is the one person who always believed in me, and she urged me on, and without her hard work and complete dedication to her job, I do not think I would have made it. She is the best and a real credit to the TAA Program.

Mr. PEASE. Thank you very much, Ms. Bentley.

Our next witness is Jaime Pabon.

STATEMENT OF JAIME PABON, CORRECTIONS OFFICER, LORAIN, OH

Mr. PABON. Good morning.

I have been invited to appear on this panel before the Subcommittee on Trade to contribute my personal experience in the Trade Adjustment Assistance Program.

On July 30, 1973, I was hired at United States Steel Lorain Works. Nine years later, on August 5, 1982, I received my layoff notice. I must admit I expected to be called back to work.

April 1983, I decided to check into the TAA Program due to the fact that the steel industry was in deep trouble.

First, I had to be scheduled for an orientation meeting, which was done 1 month later. At the meeting, I was informed that TAA would pay for my schooling, and I would also receive unemployment benefits for 6 months, but the rule was that the 6 months started 1 year from our layoff date.

Many of our steelworkers were laid off in March 1982, which meant that they could collect unemployment benefits until September 1983 if they were enrolled in school. This made it difficult for many with families to attend school where they needed some type of income.

I was able to collect unemployment benefits until February 1984 due to the fact that my 1 year was up in August 1983. At the meetings, I was told that my choice of police science courses might not be approved because many counties were facing tax problems, and jobs in this field were scarce.

Once I was set for school, I had to go for a while without unemployment benefits until school started. In my photography class, I needed a camera. After the first inquiry, I was told that TAA would not be able to provide one. Then I was told to show proof that one was needed. I also then submitted rental papers on a camera, which I was told would probably cause an explosion in Columbus.

I did not receive a reply on the matter, and I decided not to chase the matter any more because I had to concentrate on my studies.

Throughout the unemployment ordeal, I turned to Congressman Pease's office, where I met his secretary, Diane, who checked into the matters concerning the delays in receiving checks and/or extensions being cut and passed.

Through my first quarter at Lorain Community College, I managed to make the dean's list. Toward the end of the second quarter, my unemployment benefits ran out, leaving me with no means of supporting my family. But by taking the photography classes, I managed to get a job with Micrographic Sciences, Inc., in Parma, where my main duties were processing microfilm.

I tried my best to finish the second quarter while also working full time and trying to maintain a life with my wife and children.

After the second quarter, I decided to concentrate my time on my job in order to provide for my family.

On May 7, 1984, I was hired by the Lorain County Sheriff's Department to serve as a corrections officer. I honestly feel that only 6 months of schooling and unemployment benefits contributed to my job opportunities which I have just mentioned. There is a prison being built in Grafton where my training and on-the-job experience may some day enable me to work if I so desire.

I feel my opportunity in this field of work was given to me by the Trade Adjustment Assistance Program.

I would now like to thank all who made the TAA possible—Congressman Pease and all of his staff, who were there when I needed them, along with Ella Tomka, who provided great help.

Thank you.

Mr. **Pease**. Thank you very much, Mr. Pabon.

Our final witness on this panel will be Edward Crisp.

STATEMENT OF EDWARD CRISP, COMPUTER PROGRAMMER, LORAIN, OH

Mr. **Crisp**. Good morning to everyone on the panel. My name is Edward S. Crisp.

I was a laid-off steelworker from Lorain-Cuyahoga Works. Through the help of Ella Tomka and other people at the unemployment services, I got a chance to be enrolled in the TAA Program. When it first came up, I was signed up for an orientation for December 15, 1983, but because that orientation came into effect past the time we would have to be in school, they did some juggling, and they got us in before that.

We were approved for TAA in February, but they did not allow us to sign up for it until June. And from June to September, that is when you had to be signed up and in school, and that presented a problem for a lot of the steelworkers. We thought we had lost our jobs because of this, but, yet, we were given, as they say, a runaround in the why and how we could get into school. I was one of the lucky ones. I got into school. I was actually in school 3 weeks, or maybe 4 weeks, before my papers were even signed, but because I had a statement from TAA stating that I would be approved, the school allowed me to continue.

I went from July 11 to December 1984. I was on the dean's list for the whole time I was there. I took an externship at Mutual Health Services, which was a small insurance company up in Cleveland.

At that time, I was just volunteering my work going to school. My grades did not drop, and at the end of my externship I was asked to take a paying position.

I took the position and I finished my schooling. I am fully employed. My story is a happy one, but there is a story for many of the steelworkers and many people that I know that was not happy. They were not allowed to sign up because they couldn't get in school before September. They were not allowed—you know, no one would tell them exactly what they needed to do, how to do it, who to talk to, and everything.

If you didn't go down to the employment services and raise a whole lot of heck, ask a lot of questions, make these people see that, hey, I need something, they were not telling you anything. They did not allow you to just come in and say, "Well, this is what your opportunity is. You can do this, and you can do that."

They did not. All they did was tell you that you are approved for a TAA, but they did not really tell you how to go about getting into the program itself.

Like I said, I was lucky. Many more like me were not.

I feel the TAA is a very valuable tool because it retrains people, and gives them the opportunity to change careers, to change their lifestyle, and to become more productive for the United States.

And if the United States takes this away from the people, what's left for the people?

Who can they turn to if they can't turn to their government?

And all I would like to say now is thank you to the panel for giving me this opportunity.

[The prepared statement follows:]

STATEMENT OF EDWARD CRISP, LORAIN, OH

I was employed at the U.S. Steel plant in Lorain for 3 years from March 1979 through March 1982. I was laid off for 2½ years. I learned through the local Ohio Bureau of Employment Services office that we (steelworkers) were eligible for TAA as of June 1983.

I started at ICM School of Business in July 1983. I graduated from ICM with an Associate degree in Specialized Business in Data Processing. Because of the benefits of TAA, I received a very good education that I would have missed otherwise because I could not afford it on my own. In school I learned how to program and operate computers.

I am presently employed at Mutual Health Services Company of Cleveland (MHSC). Through the help and education that I received from ICM and their career counselors, I received an externship (a job for experience only) from MHSC in September 1984. I was asked to take a paying position as a computer operator/programmer in November 1984.

TAA was solely responsible for the opportunity for me to reconstruct my career and to find another line of work.

TAA is a valuable tool to help people like myself get back on their feet. However, it must be represented for what it is—a tool to re-train someone to perform new duties for a new career and to expand his knowledge of what this country is and what is has to offer its people. It should not be represented as an unemployment check with little or no hope for the possibility that economic conditions will ever change for the better or worse.

Mr. **Pease**. Thank you very much, Mr. Crisp, and to all of our panel. You have given us an excellent beginning for this hearing.

Since you five have testified, we have been joined by three additional Members of Congress:

John Seiberling, on my right, represents the 14th District of Ohio, the Akron area. There's a lot of rubberworkers who have used this program in the past.

Mary Rose Oakar, who, with Mr. Levin, just came in from Washington. Mary Rose is from an adjoining district in Cleveland. She is secretary of the Democratic caucus, with the Banking Committee, and a couple of other things.

And then, Sander Levin from Michigan is a second-term Member, who is chairman of a task force within the Congress studying the problems of retraining.

We are delighted to have all of them here.

I am going to, now, turn to members of this congressional panel and see what questions they would like to ask of you.

Mr. Gephardt.

Mr. **Gephardt**. Thank you very much.

Let me congratulate all of the witnesses on excellent testimony. I think the best part of it was the true life stories of people who have used the program, what it meant to them, and how they were able to use it to good benefit.

I would just like to ask one question of Mr. Stafford.

First of all, in your testimony, your written testimony, you show 24,000 workers in the total work force in these different places.

Can you tell me what the loss of jobs is?

Is this job loss figure? Or is this the total job figure? And could you tell me how many people have lost their jobs in, say, the last 5 years in this area?

Mr. **Stafford**. OK.

In the Homestead Works, there was a total of 6,000 employees. By the end of July, there was approximately 200 workers in the Homestead Works working, the rest were laid off. Duquesne is completely down. Edgar Thomson is on par at about one-fourth capacity.

National, there are approximately 200 people left in the plant.

Irvin Works, there is approximately 1,000 workers left in their capacity.

Clairton steel area will be down completely.

And the Coke and Chemical By-products will become known as U.S. Chemicals and no longer associated with the now United States Steel.

Therefore, what will happen to those individuals? I have no idea. At the Clairton Works, in the steel capacity, I would say, was 1,500. At Christy Park, those 52 are laid off.

Mr. **GEPHARDT**. So, approximately 80 percent of those work force jobs have been lost; is that right?

Mr. **STAFFORD**. Yes.

Mr. **GEPHARDT**. And of that group of, say, roughly 20,000 people who have lost their jobs, how many would you say have been able to use the Trade Adjustment Assistance Act?

Mr. **STAFFORD**. Out of the present 3,000 applicants that are on hold in the Mon Valley, the State job service, prior to that, approved approximately 1,000 for training in Pennsylvania. An additional 900 on hold with the applications already in Harrisburg which have been processed at State job services.

If the job service takes the application, they hold them until Harrisburg is able to entertain the ones, on hold in Harrisburg. Then Harrisburg requests more to come in.

Harrisburg right now has 8,000—or $8 million—excuse me—$8 million on hand to approve the ones which are there in Harrisburg.

But the problem as I mentioned in my statement, that these individuals cannot be approved for their contract because of manpower and the time it takes to do the contracting, and they are not willing to pay extra overtime, in the budget, to get this process done.

So, these individuals will sit on hold until they are able to be alluded to. And then the ones that sit in the job service will not be considered until the ones in Harrisburg are entertained.

Mr. **GEPHARDT**. So, at best, we are talking about 2,000 people out of, say, 20,000 who have lost their jobs and have been able to avail themselves of trade adjustment systems? That's rough.

Mr. Stafford. That's you know, a very rough estimate. I could not tell you that figure exactly. I am not into the statistics in that respect.

Mr. **GEPHARDT**. And would you say that it is not a greater percentage because of the problems that you bring up in your testimony? The certification procedures? The failure to communicate the law?

These are problems that keep more people from using the provisions of the law?

Mr. **STAFFORD**. OK.

The individuals that did use the law came mostly through local No. 1256, in which I conducted seminars in McKeesport.

And of the seminars I conducted, back in 1983, we had to turn away 5,000 people that we could not entertain because of the room at hand. Those individuals, a lot of them scattered and never came back. Some, also, still came back to their local, which we were able to process through word of mouth.

I took a survey the other day in the orientation at the Job Search Assistance Center, which is part of the JTPA, which is part the joint effort, to coordinate TRA and TA moneys, along with other benefits with JTPA, and I asked these individuals why are they just coming to the center now, when it is to be closed shortly?

Their answer was they never knew about it.

And I said, "Well, how did you find out about it?"

They said, "Through word of mouth."

So, despite all the advertising which we do, there are a lot of individuals that cannot allude to the fact or receive the proper information to get these services rendered to them.

Mr. **Gephardt**. I thank you very much. It has been very helpful.

I just wanted to mention to our second witness, Mr. Smith, that I thought the section of your testimony about what it is like to be unemployed, to not have a paycheck, to not know where the next money is coming from is a very touching, and poignant, and important testimony for us to hear, and I really appreciate your being here.

All of you had excellent testimony to give us that is very helpful.

Thank you.

Mr. **Pease**. I am delighted today that we have several different panels. We will be looking at the problems of trade adjustment systems from the viewpoint of the workers; and, soon, from the viewpoint of labor union officials who try to help at the national level; and then, from State employment service officials, who try to administer the program; and then, local people.

And I think what will emerge from this hearing will be a pattern of incredible incompetence, if you will, in the administration of the program: The workers not knowing it is available; the law making people ineligible; the Department of Labor sitting on money, not releasing the money.

So that the potential is much, much greater than what has been realized in the last couple of years, because of the problems that you have begun to allude to.

Mr. Oberstar, would you like to inquire?

Mr. **Oberstar**. Thank you very much, Don.

Again, I want to thank you for holding this hearing, and for the vigorous effort you have put in over a period of several years to sustain the TAA program and help rescue it from that assault upon it by the budget policies of the last 4 years.

The panel's testimony is very touching and very representative of what is happening in the real world, a world where the workers are affected by imports having a devastating effect upon our economy.

I wish some of the unrepented pretraders in the U.S. Congress were here to hear firsthand what you have been saying this morning. We need them to hear your testimony.

In a sense, you are preaching to the choir. You have a panel of believers in this program. We need some of those in this administration. We will carry that message back, believe me, to our colleagues in Congress and let them know what is happening to the people.

The testimony that has been presented here has been repeated word for word by people in my own congressional district. I am very deeply touched, Ms. Bentley, by your statement, "After fighting so hard, so long to get out of the rut."

Despite making the effort and investment of yourself in new skills and training, you were back on the welfare rolls.

It was very powerful and compelling testimony that Mr. Smith gave the idea that reeducation and training is not, in itself, the remedy for the problems faced by the unemployed. You have got to have jobs.

The story you told is one that has been repeated again and again in my district. People have sought employment opportunity after training for new skills, but the rising tide, the economy's so-called recovery, has not provided a job for people who have made the effort to improve their skills. It is going to take, as you put it, a more concentrated effort by the industrial community.

The question I have for Mr. Stafford is one that concerns those in the Mon Valley who applied for trade adjustment assistance. Have any of them been denied assistance because of the 26 and 52 requirement?

Mr. **Stafford**. Some of them under the TRA parts?

Mr. **Oberstar**. Yes.

Mr. **Stafford**. Under the TRA part, yes, they have been denied that based on the impact date that they were laid off. They take the closest date to the impact date, which, if I take Duquesne for an example, the impact date is October 1, 1981.

So, if an individual was laid off in 1982 and then, maybe, went back to work and, then, got laid off in his last termination here in 1984, he would not be eligible for those extra weeks. The cash benefits would take him up to the 52d week.

Now, if that individual had applied for training within 210 days of his last layoff and had the opportunity to get the contract in place, then he is to get the additional 26 weeks beyond that. Thus far, there have been a lot of individuals that have had to wait for it, that have procrastinated on it, and a lot of them did lose it.

Mr. **Oberstar**. We have a situation here where a person was laid off, called back, laid off again, and then did not qualify even when their plant was certified for trade adjustment assistance, because they had not worked 26 weeks in a 52-week period.

Instead, they had worked 26 weeks in the last 2 years.

Do you have the number of workers who would have qualified under that provision had we been able to get it?

That was in the bill that passed the House. It did not survive Congress because the administration opposed it, and I say not just this administration. The Carter administration opposed it also.

I think that provision would have helped a lot of folks in our area. It certainly, would have in your area as well.

Mr. **Stafford**. If it would have been communicated through the State job service, I agree, yes.

Mr. **Oberstar**. Thank you.

Mr. **Pease**. Thank you.

Ms. Kaptur.

Ms. **Kaptur**. Thank you, Mr. Chairman.

Like other members of the panel here, I have found your testimony extremely enlightening, and I also want to thank you for having the courage to come up here and talk to us today on behalf of thousands of Americans who are facing a similar situation in the work force. And I think that you speak on behalf of many of them as well.

I have a couple of questions to ask of you, which are very brief, and that is, first of all, who told you?

The first time you heard about trade adjustment assistance, how did you find out about it?

I assume the first gentleman. Mr. Stafford, must have found out through your international.

Am I right, or wrong?

Mr. **Stafford**. To an extent. I found out—I went to a union meeting after I was laid off, and they requested someone to volunteer for training and find out any information available.

So, I found it out mostly on my own through libraries and using our legislative labor representative out of Washington, DC, John Powderly.

Ms. **Kaptur**. All right.

And what about the second gentleman, Mr. Smith? How did you find out? Who told you?

Mr. **Smith**. Well, originally, when I was first laid off, I sort of gave up hope of ever being recalled right away. I was one of the few who did that. And I enrolled out at the college. I paid for the first quarter—well, the first year of my education on my own. And it was announced at the college in the financial aid office that we would be eligible for TAA benefits, as they were designed, in April 1983, I believe.

But through some chaos and—I don't know—the topsy-turvy activities they had at the employment services, many people were not allowed, even though the program OK'd in April, they were not allowed to sign up for the program until, like myself, in late August 1983. Almost 4 months went by before they had the program. As a matter of fact, I had to go through Congressman Pease's office in order to get my grant OK'd.

I would like to say about the grant—the grant is a wonderful thing, but the grant is designed to help people who have been displaced through foreign trade. And many of those people who are displaced, this grant really does nothing for them—nothing for them.

There are many people who are eligible for this grant, but cannot utilize this grant the way it is designed because of certain requirements as to what job skills it will, and will not, pay for, and the job skills or the academic ability of the people who are trying to use the program, what academic ability they have as they go into the program.

Like I said, again, many people laid off from United States Steel were educated to work at United States Steel, in this district, anyway, and the Ford plant, and whatever. And the basic skills one needs to go to college and to help your own self be reeducated, to reassimilate, they just do not have. And it takes a long period of time just to acquire those basic skills.

I think there needs to be a rethink done on the program the way it is instituted now and what has to be done for the future.

Ms. **Kaptur**. You are making me think that, maybe, some people find out by accident, that they are kind of out there on their own.

Mr. **Smith**. Quite by accident they found out that the program was available, but, myself, I paid for a whole year of education that quite possibly could have been paid for by the TA grant, which, at the time, because of the way things are structured, I had no income.

And the first year of my education, everything was fine and dandy. I had unemployment; I had savings. But the second year of my education, and on into the third year, the unemployment ran out; my savings ran out, TRA would only pay for books and supplies; and, you know, you have academic pressure to succeed in your enrollment, and then, again, there is the financial pressure to pay rent, to pay lights, to pay gas, to decide whether or not I am going to eat this week or put gasoline in the gas tank and have enough to make it from week to week to the college.

It is a difficult adjustment for many, and many who start it, after finding out just how much pressure it was, they gave up under the pressure.

Ms. KAPTUR. I wanted to ask the same question of Ms. Bentley. You seem to think that we ought to clone Ella Tomka; is that right?

Mr. SMITH. Oh, yes.

Ms. BENTLEY. Definitely.

Ms. KAPTUR. But did you find out through her?

Ms. BENTLEY. Yes, I did.

Ms. KAPTUR. Because you were receiving unemployment benefits, and you were in that office anyway?

Ms. BENTLEY. I do not know if I was receiving unemployment benefits at the time but I would go down there occasionally, to see if there were any jobs, or anything, and she told me about the program.

Ms. KAPTUR. All right.

Mr. Pabon.

Mr. PABON. Yes, after being laid off for a while, you know, I did not expect to get called back, and after just waiting around for a while, my cousin mentioned it to me that I should consider it.

Ms. KAPTUR. How did that person know about it?

Mr. PABON. Well, he was also laid off.

Ms. KAPTUR. So, he used the program?

Mr. PABON. No, he had a little bit more seniority than me, and, you know, he just mentioned it as casual conversation—and, you know, that's——

Ms. KAPTUR. Is he a union member?

Mr. PABON. Yes, he is.

Ms. KAPTUR. OK, thank you very much.

And finally, Mr. Crisp.

Mr. CRISP. Well, I followed it through the papers when it went to legislation, and then Ella—I started getting involved with the unemployment services and the employment services going through where you have to check in and check for jobs and stuff.

I started talking to Ella, and Ella is a very good friend of my sister, Juanita. They worked at the unemployment services in Elyria together when I was a youngster. And I knew her from there, and we started talking.

She explained some of the benefits and some of the rights that we had, and for me, like I said, it was basically lucky, because I knew people down there to where I could go and ask certain questions and get pretty straightforward answers, where a lot of people would go down there and they would ask questions, and if you do not know the right people to ask when you go in there, you will not get the right answers.

Ms. **Kaptur**. I hate to say this to the chairman of the hearing this morning, but, you know, your area has a much better reputation in administering this program than mine, and from what I am hearing here this morning, I am really getting discouraged that, somehow, in our whole system, job training, and employment service, and TAA—that there is not a smooth transition from the work place into these various training and reemployment programs. I do not know if that is your view or not, but it sure is what I am learning this morning.

Mr. **Pease**. Well, in my view, now that is entirely correct.

The program is administered much better in Lorain County than it is most places; but, as I said before, if you look at the local level, the State level, the Washington level, in each case there are barriers to people even finding out about the program; and, then, qualifying, and, then, getting their money on time.

And I think, as one of the witnesses said, a lot of people just give up. It is too much of a hassle.

Did you have additional questions?

Ms. **Kaptur**. No, Mr. Chairman. Thank you.

Mr. **Pease**. Mr. Seiberling.

Mr. **Seiberling**. Thank you very much, Mr. Chairman.

First of all, I would like to commend you for holding this hearing. It is an extremely important subject, particularly for our area of the country, and I just cannot think that Congress is going to let this program die.

I am sorry I missed some of the oral testimony of the first witnesses on this panel, but I have read all of their statements and they are very compelling, indeed.

Of course, my area of Akron, OH, is affected just as Lorain is. I read in the Akron Beacon Journal this weekend that 8 million people have lost their jobs, as a result of the trade deficit, in the last 5 years.

And it is quite clear that the Job Training Partnership Act, as well as this act, are only scratching the surface, in terms of doing the job of retraining people that we need to do if we are going to help the unemployed regain their self-respect, and their economic status, and become productive taxpayers again.

So, I just cannot say too much about the importance of not only continuing this program, but also of expanding it and making it more effective.

I would like to ask Mr. Stafford about the problems of getting people notified about TAA, getting them into a program, and avoiding unnecessary delays. First how much of these problems are the result of weaknesses in the existing act? Second, how much is the fact that the administration has, for one reason or another, not used the resources it has to make this program as effective as possible; and, third, how much is just shortage of manpower as result of budget contraints?

Mr. **Stafford**. OK, there are many questions there to answer, but, as I have stated at first, that the main problem seems to allude of getting the information to the individuals.

I was very successful by calling them on a phone from my local to entice the individuals to come to the seminar at first, and continued to inform those individuals.

That was local 1256 out of Duquesne. Now, that is only one local. And the word of mouth, a lot of times, does not get out, until accidentally, such as these individuals have stated on their testimony.

The system, sure, I would say the communication from the system is—I fought it. And the miscommunication and the flow of information tends to assimilate other information as it comes down through.

Then, it gets distorted. And I have talked to a lot of the TRA representatives from the job services, and, at first, they are very defensive on the phone, until I am saying: "I'm with the Job Search Assistance Center. We're funded by the JTPA. I'm here to assist you, not to take your job, but to assist you."

Then, after talking to them, they come out and they say, "Well, you know, I really don't know what the program is about."

I can only spend a half day on TRA, and the other part, I have responsibilities over here. So, the manpower part is a problem, too.

So, you know, the delegation of helping, and this is a full-time job for that person; and, maybe, give a job with someone else to do our clerical work, that this individual has responsibilities they cannot oversee.

I hope I have answered the three questions you have stated.

Mr. SEIBERLING. Thank you.

Mr. PEASE. Thank you, Mr. Seiberling.

Ms. Oakar.

Ms. OAKAR. Thank you, Mr. Chairman, and my colleagues, and members of this fine and important panel.

First of all, I want to acknowledge my high esteem for Congressman Pease. There are very few Members of Congress who get Members from as far away as Missouri and Minnesota and Michigan—let alone those of us from Cleveland and Toledo and Akron—to join you, Don. It is a tribute to the leadership, I think, that you have played, in trying to promote the renewal of training programs in our country.

I really know that the people of your district are very aware that you have been the leader in Congress, in my judgment, in the Trade Adjustment Assistance Act. Hopefully, we will be able to renew it.

So, notwithstanding the fact that we want it renewed, we are seeing by these living examples, which I think are so much more important than studying statistics, the need for not only having programs like this, but even more comprehensive programs for education.

One sure way to defeat a good program is not to implement it properly—and we saw that with regard to other training programs.

So, I am touched by your testimony, which I have been reading while the other witnesses were being asked those important questions. But I am saddened by the fact that there is not an all-out effort to educate people about the few existing programs that exist.

Our country needs a comprehensive training program in all dimensions, and we are one of the few Western countries that does not have one. And we need to go beyond that and do so much more.

Let me ask the panelists: Do you expect that in your working lifetimes that you will need to be trained again for a position?

Do you expect that you will need some kind of training for a future job?

Would any of you like to answer that?

Mr. SMITH. Yes, I feel like just life experience itself is an ongoing education. And specialized training, yes, especially in the technologies that we are seeing developed here today, if we expect to remain productive in our lifestyle, as the American dream has been always, you know, to better, to be the best.

Ms. OAKAR. Is there a position that any of you would like to have that you need training for?

Mr. CRISP. At the company I work for now, which is Mutual Health Services, I am in charge of all the hardware to cover communications and stuff. I know how to program the computer. I know how to run it. I know very little about the telecommunications. I have been going to seminars. I have a seminar coming up sometime this month on telecommunications, on explaining exactly what it is, how our company can use it, and where we are going to install it ultimately, at which it is going to link four computers into one, when on nights that we have large processing here, you can download piles, send them to these other three computers, let them run there, and continue our daily process at ours, which will give us a break.

But, right now, I do not have the training in the telecommunications field, or the modems, or the flatsers.

And it is an ongoing education, from the time you get out of school until the time you die. You must continue to learn. If you don't, you do not survive.

Ms. OAKAR. I asked that question because it seems to me, unlike our fathers, perhaps, or even our mothers, that the time has gone when you are only going to do one thing in your lifetime, that you would constantly need traning programs.

And, Mr. Chairman, I recall my good friend, Mr. Oberstar, appointed me to the Northeast-Midwest Coalition to chair and cochair a task force on employment and training, and we went to Germany to take a look at what was going to happen to that unemployed steelworker, and it reminded me of my own congressional district.

On the day that they were announcing 8,000 people going to be laid off, the union president and the head of this steel company were hosting a lunch for us. I said to them, "How can you even talk to each other when you are laying off 8,000 people?"

And they indicated that the reason that they could still relate to each other, and so on, is that every single person being laid off was going to be either leveraged into another job or another training program; that they were all accounted for before they announced the layoff.

And as a proud American I am afraid to say that we are way behind in this effort. And that is why keeping these minimal programs that Don Pease and others have tried desperately to do is, at least, the bare minimum that we ought to be doing in this country so that a person, like the gentleman that just spoke, can have the opportunity to progress and advance in his job.

And I think this kind of hearing is so important to highlight that. And those of us who believe in training programs, it is really quite hard to maintain not only what we have, but, hopefully, be more progressive in the future.

But it is the lifeblood analysis that you have given to your acute needs, being structurally unemployed for a while, that I think bears to mind that we need to do so much more, and we are just scratching the surface.

So, I think getting out in the field is really important. I want to thank Don for giving us the chance to do that.

Thank you.

Mr. **PEASE**. Thank you, Ms. Oakar.

Mr. Levin.

Mr. **LEVIN**. Thank you very much. I am very pleased, again, to join good friends.

You may be preaching to the choir, as it has been said, but I think this choir intends to be heard—and loudly so. And we usually will sing from the same hymn book, but sometimes the old hymns have to be heard.

I had a chance mostly to be on airplanes this week and reading some old newspapers, and some from other places, and just a couple of headlines of papers I clipped from the newspapers.

One, I think, may have been referred to earlier today: "Eight Million U.S. Jobs Lost Since 1979."

Eight million. And look at the figures from the various States—the State of Ohio, 1.1 million; and your neighboring State that I come from, Michigan, 962,000.

The Boston Globe—when was it, June 9--yesterday had a story: "Cheaper Asian Labor Cuts U.S. High Tech Jobs."

"U.S. companies in electronics created 500,000 jobs in Singapore, Korea, Taiwan, Japan, and in Hong Kong in the past 5 years." That is far more jobs than in the United States.

So, I am pleased to be here.

Congressman Pease, in referring to the Job Retraining Task Force, has been joining in at meetings at 8 in the morning every week.

I did have a chance to, while on planes also, read the testimony of all of you that was supplied in advance, and these statistics are staggering. But it is always even more edifying to hear firsthand personal stories.

So, I join my colleagues in expressing appreciation for your taking the time and the trouble to tell us, and also to give us a glimpse of your private life, and indeed, I am honored to be joining Donald Pease and the rest of you here this morning.

Mr. **PEASE**. Thank you, Mr. Levin.

If there are no additional questions, I would like to thank all of our panelists for your time and effort. We appreciate very much your contribution to the subcommittee.

Thank you.

Our next panel will be made up of spokesmen for some of the largest labor unions in America: United Steelworkers, Mr. Odorcich; United Automobile Workers, Mr. Tomasi, Mr. Rush, and Mr. Page; United Rubberworkers, Mr. Clem; Amalgamated Clothing and Textile Workers, Mr. Gundersheim; Oil, Chemical and Atomic Workers, Mr. Sebastian.

While these gentlemen are taking their seats, let me mention that our congressional panel members will be coming and going during the morning.

Congressman Gephardt will be speaking to the Cleveland City Club at noon today, so he will have to leave at some point.

Ms. Oakar has responsibilities in Cleveland, also.

The rest of us, hopefully, will stay here for the time.

We are pleased to have this panel. We will, again, state that all of the testimony that has been supplied in writing will be put into the record in full.

And we would ask each one of you to summarize your statement very briefly.

First, the United Steelworkers—Mr. Odorcich.

STATEMENT OF JOSEPH ODORCICH, VICE PRESIDENT, UNITED STEELWORKERS OF AMERICA

Mr. Odorcich. Thank you, Mr. Chairman, for the opportunity to come here today and talk to this important committee.

Let me right from the outset add to the commendations that you have been given for your efforts in trying to help our people, and, particularly, in making sure that the one percent, if and when imports go down, will be used for training of people.

I am glad you started out by saying that the testimony of ours will be put in the record, because I would like to talk about one particular situation that has transpired to see if I can give you a feel of what is actually happening out there with our people.

I know of two suicides, at least, from Urban Works, which you have heard Stafford mention before—two suicides because of a lack of a job.

There are many instances of homicide out there. There are instances of divorces out there. There is so much despair, and people have given up hope, that it is hard to envision this happening in America today.

I came up through the Depression, and things were awful in those days. They are just as bad today. And, unfortunately, Washington does not seem to be hearing what is happening—or, more importantly, they are looking at statistics that do not tell the true story, and they are lulling themselves to sleep. In the meantime, there is a cancer out there, growing.

Back in the thirties, this country came that close [indicating] to going Communist. Again, it was because of lack of jobs, where people were only chattel. Nobody gave a darn whether they lived or died. They were used and abused, and then cast aside. We are seeing the same thing happening today.

I hope you noticed that the panel that just got finished—how young those people were. And for them to be confronted with this problem at this time, I can understand it. I was out of work. And fortunately or unfortunately, in those days, I am not sure which—I was brought up to believe that you went out and earned your living.

We did not look for relief. We did not look for welfare, because there wasn't any in those days. We were taught to go out, and, very frankly, there was a time when I had a gun in my hand, but the gun in my hand wasn't to take care of myself. I was going to go out and make sure that my family was taken care of. Thank God that I never went that far—but I was that close.

And I can understand how our people feel today. The thing I cannot understand—and I am sure the average public or the average worker cannot understand—how we can spend billions and billions and billions of dollars overseas and throughout the world, and yet, we cannot find enough money to take care of one of our greatest commodities, the working people in this country.

Now, as far as I am concerned—and I am sure my fellow unionists join with me—that it was the unions that made this country as great as it was, because we went out and demanded our fair share of what was being produced in this country.

We thought we had a right to it. And we did have a right to it, and we were pretty successful.

Unfortunately, one of the problems that we have been talking about here, and I have been before some of the Congressmen here before in committees, imports. We have moaned, and groaned, and cried about what imports were going to do to this country, and it seemed like it fell on deaf ears.

Well, the chickens have come home to roost.

Imports is a big problem today. Recently, the administration says: "Well, we're going to cut the imports down to 18 percent."

That was 6, 8, 10 months ago. It's still at 26 percent.

And they make a big to-do, and I am sure the automotive workers will appreciate this—that they are able to get Japan to agree to limit exports—imports into this country as far as steel is concerned. Well, they did this on the one hand.

In the meantime, they are going to permit them to send another quarter of a million, or better, cars into the United states.

So, what's happened? Where did we gain?

It seems like in Washington—and I am not talking about the Congressmen, because we have very sympathetic Congressmen, and very sympathetic Senators—but it seems like they just do not understand what is going on out there.

Now, let me give you one instance that I went through about a year and a half ago that was so touching it made me sick by the time it was over.

And this fellow came from the Duquesne plant—Terry, you may know him—a young fellow about 40 years old. I say young at 40 because I am young at 70.

And he came into my office, and I knew him over the years—a good upstanding citizen, who worked and took care of his family—has four children.

He had been laid off almost 2 years. And he came in the office and said:

"Joe, I need $2,000 by Friday, or I am going to lose my home."

I said: "Well, tell me the whole problem."

He said, "Well, the whole problem is this:" He says, "I bought this home for about $50,000 about 13, 14 years ago." And he said, "I only owe about $20,000 on it." And he said, "But with benefits running out, the jobs I have been able to find are menial jobs that don't pay anything." He said, "My wife has taken a job in a tavern." And he says, "You know what happens there. People get a little too much booze, and there's loose suggestions and obscene remarks."

He said, "My two older children are just finishing high school, ready for college." And he said, "I'm desperate. I don't know what I'm going to do." He said, "I need some help."

I said, "Well, I am not a rich man, but if $2,000 will help you, I'll loan you."

He said, "No, I don't want your $2,000."

He said, "Because if the next guy comes in and wants $2,000, and the other wants $2,000, you can't cover."

He said: "What we need are jobs. What we need is help to get jobs. What we need is training."

He said: "The $2,000, one way or the other, I'll make it now." He said, "Whether I'll do it again, I'm not too sure." He said, "But I want a job." He says, "I want my pride back. I want to take care of my family. I don't want my wife working in a lounge and having to put up with these obscene remarks."

Unfortunately, right at that time, the program that Terry is running—and running very well—was not in existence, and there was nothing I could do but indicate to him there may be something with the State. And the State had very little money at that time. So, I couldn't help him in that direction.

Now, one of you asked the question before of whether the line of communications to our people may be part of the problem. It is a big part of the problem.

Now, when legislation was first proposed putting in the program, I know, because, personally, I was responsible for sending the letters to our directors in every district indicating to them that they ought to get somebody tied in with that program so that we could help our people.

Unfortunately, too many of our people don't go to meetings. Too many of our people aren't there to hear what is going on. And, further, unfortunately, the unemployment people don't do the job that they should be doing or can be doing because they are swamped, too, with plans, and counterplans, and everything else. So, word didn't get down.

You are not doing a good job in that arena.

I want to complete by saying to you this: One of our most important commodities, as far as I'm concerned—and I'm sure you will agree with me—is our people, their pride, their love of family. They want to be good American citizens. You can help. I know you are going to do the job. I've talked before some of your committees before, and I know you hear people.

And I would suggest, as I suggested to one of the Congressmen before, if you could take the time to not only tour this area, but the Monongahela Valley area, and just see what happened to the plants. They are not there any more. They're not there. Some of them are being razed to make industrial programs, and that's a long, long range affair.

They're not too successful because every State is competing for business. But if you would have the time to sit down and really talk to our people, you would get the message even stronger than we're going to try to make it.

I know we're getting across to you. You wouldn't be here, if you wasn't concerned. We want to thank you on behalf of the steelworkers for taking time out to come out and hear us, and anything that we can do to make this better so that you can get the message across in Washington—all you have to do is call on us, and we will come down in droves. We've done it before. We'll do it again.

Again, I want to thank the committee for being here, and letting me speak to you, and, hopefully, it will bear the fruit that we need. We just desperately need it.

Thank you very much.

[The prepared statement follows:]

STATEMENT OF JOSEPH ODORCICH, VICE PRESIDENT, UNITED STEELWORKERS OF AMERICA

Mr. Chairman and Members of the Trade Subcommittee:

My name is Joseph Odorcich and I am Vice President of the United Steelworkers of America. As our name indicates, we represent workers in the basic steel industry--from iron ore extraction through all the production stages to the final steel products. However, Steelworkers are a minority of our total membership. We also represent working men and women in the copper industry, aluminum, heavy machinery, earth-moving equipment, hand tools, machine tools, tableware and flatwear, lawn furniture, and hundreds of other manufactured items.

This year we will celebrate the 50th anniversary of the founding of the Congress of Industrial Organizations--the CIO--which was the parent organization of my union.

Over that fifty-year span, my union and our associate industrial unions have raised the living standards of our members substantially. We are proud of our achievements through collective bargaining: our pension plans, our medical insurance plans, holidays and vacations--benefits unheard of for working people fifty years ago.

Beyond the economic and material values, the union has provided workers with a sense of dignity, of self-worth both on the job and in their communities.

Our union has actively participated in efforts to eliminate discrimination and extend civil rights in our own countries and are continuing those efforts today in solidarity with our brothers and sisters in Poland and South Africa.

While we are unabashed about our accomplishments, there is also a dark side to the picture. In the course of but three generations, workers in manufacturing and allied industries have raised themselves to a middle class status only to see their jobs washed away by a tidal wave of foreign goods.

When the Trade Act was passed in 1974, steel imports accounted for 13% of our domestic needs; last year that percentage had doubled. In the first quarter of this year, imports accounted for almost 28% of the market while 30% of America's already reduced steelmaking capacity lay idle for lack of orders.

While several arrangements have been negotiated to reduce steel imports, the domestic industry has not yet realized any substantial benefit from the program that was initiated by the President more than six months ago. Since the Voluntary Restraint Agreement was promulgated, steel companies have continued to report more financial losses, more shutdowns, more layoffs, and one company has filed under Chapter 11 of the bankruptcy law.

In copper, we see a similar picture: a dramatic rise in imports, domestic facilities closing and workers permanently laid off.

While our union represents only a handful of shoe manufacturing firms, imports of shoes have risen beyond the level of domestic tolerance with a similar scenario of closed shops and unemployment.

The grossly overvalued dollar is both a powerful magnet for foreign goods and a significant bar to American exports. Some third world nations are precariously perched on the teeter point of insolvency forcing them to leverage their international debts from Americam sales dollars from their exports. From their viewpoint, the costs of subsidizing their exports or selling them below fair market value pale in comparison to the possibility of fiscal insolvency.

In steel, copper and footwear, the U.S. International Trade Commission has determined under Section 201 of the Trade Act that imports of those products have become a significant cause of serious injury to domestic producers and workers and that quantitative limits should be established.

"ITC Announces Imports Injure American Industry"; that's a Wall Street Journal headline any day, but the story isn't complete if left simply to "foreign" producers. What about the American conglomerate that bought out an electric cord producer in Vermont and a month later closed up shop and moved the machinery to Mexico. Obviously, that company's ledger books will show a better return on investment; obviously, the Mexican workers are pleased with the work opportunity; somewhat less obvious is the fact that the price of your electric appliance hasn't decreased; but what is oblivious to all except the Vermont villagers is that they and their town and their state and eventually the nation is somewhat poorer. One final little irony: the electric cords that came back to the United States--and they all do--have one screw missing. These cords are imported as unfinished goods with a corresponding lower duty than finished goods, thereby providing a handful of American workers minimum wage jobs.

Members of the Committee: I would like to turn now to the problems of those working men and women who have lost their jobs and are in need of retraining in order to find comparable employment and income.

Due to massive global changes, of which trade flow is paramount, we now have a new term introduced to identify workers who have established skills and abilities to do their jobs and have experienced a long-term attachment with their companies: we call these unemployed "dislocated Workers."

The Department of Labor recently published the results of a survey of workers laid off during the five year period 1979-1984. Of the 11.5 million surveyed, 43% were judged to be dislocated workers.

Here are some of the findings:

o Job losses stemmed from one of three factors: the closing or moving of a plant or company; slack work; or the abolishing of a position or shift.

o Almost half of the dislocated workers had lost jobs in the manufacturing industry, mainly in durable goods industries, with these subtotals of job losses:
  - 220,000 in primary metals;
  - 400,000 in machinery (except electrical);
  - 350,000 in transportation equipment, of which 225,000 were in auto production.

o Only 60% of the dislocated workers had found new jobs at the end of the survey, and primary metals workers were hardest hit with a mere 45.7% reemployed at the end of the survey.

o The East North Central and Middle Atlantic regions suffered the largest dislocations as would be expected by the concentration of heavy industry there.

- Older workers, women, Blacks and Hispanics had higher rates of dislocation and less success in readjusting.

- Among successful full-time job finders, there was a substantial number (42%) that suffered considerable earning loss.

Last year, the President established the Steel Advisory Committee, composed of representatives from the industry, the union and germane cabinet officials.

The committee made a comprehensive analysis of the global changes that are impacting on the domestic industry and its employees. At its concluding meeting in November, it issued its findings and concensus recommendations and fowarded them to the President.

The committee recommended that the companies and the union intensify their efforts to increase productivity through expansion of Labor/Management Participation Teams.

It also concurred that employment in the industry would never return to its previous norms and recommended that tripartite efforts should be made to use private and public programs such as Trade Adjustment Assistance, Unemployment Insurance, and Supplemental Unemployment Benefits (SUB) to retain employees at work and for purposes of retraining to accelerate reemployment.

The committee concluded that the size and nature of steel unemployment requires national funding for retraining and job search activities. It recommended that the Labor Department create a tripartite committee to enhance the admnistration of a model steel adjustment program; and that the Secretary set aside a portion of his JTPA discretionary funds for jointly sponsored Dislocated Worker Programs. Last week, Secretary Brock announced that he has allocated $10 million for such purposes.

USWA Response to Dislocated Workers

Our union is not convinced that every steel facility that has been closed warrants such action. We have thwarted U.S. Steel's attempt to close its basic operations at its Fairless Hills mill, and we are convinced that its blast furnace operations at the Duquesne Works can be operated profitably.

However, in parallel with the recommendations of the Steel Advisory Committee and under the requirements of our contractual requirements, we have met with company representatives to develop readjustment programs where termination of operations has been announced.

The first use of this provision was initiated with the announcement on December 31, 1983 of the U.S. Steel's intention to close down operations at eight of its facilities.

Meetings between corporate and union officials produced a model program calling for the establishment of a joint union/company Dislocated Workers Assistance Center at each plant site and funding was sought and secured under the Jobs Training Partnership Act. The Corporation pledged $1.4 million as its share of matching funds against funds which had been allocated to the States of Pennsylvania, Ohio Indiana, New Jersey and Utah. JTPA funds for the South Works in Chicago came from the Labor Department's national account.

All workers who had been laid off within two years of the termination announcement were invited to participate in the Centers' programs. These services included a basic orientation session followed by a comprehensive testing and personal assessment of each individual's skills and interests.

Workers who wished to remain in the program and who possessed re-employable skills were assigned to small-group job clubs. The Centers provided supportive job search services such as resume preparation, telephone stations, employment information.

Workers who needed remedial education and retraining were enrolled in appropriate classes or through an on-the-job training assignment.

A similar dislocated worker service center has been recently initiated at Inland Steel's works and proposals have been delivered to the Governors of the four states where Bethlehem Steel has shutdown or intends to shutdown operations.

At this point, I would like to publicly thank Mr. Pease for his efforts in insisting that 1% of the additional cash flow that the producers will realize from limitations on foreign imports must be used for programs such as these. Unfortunately, the corporation's balance sheets continue to show losses; but if and when there is a turnaround, this will be a very useful resource for continuinmg and enlarging upon these efforts.

Let me turn now to the final issue on this agenda: the Trade Adjustment Assistance program for workers who lose their jobs because of imports.

The statements in the preamble of the 1974 Trade Act which incorporates TAA benefits are noble in their purposes:

- "to foster economic growth of, and full employment in the United States . . . ," says the first statement;
- "to provide adequate procedures to safeguard American industry and labor against unfair or

> injurious import competition . . . ," says the fourth statement;

but they simply don't fly in the steel towns of Ohio, Pennsylvania and Indiana or the copper towns in Montana, Arizona or Utah.

Working men and women in these industries don't know the meaning of "rationalization," "dislocation" or "readjustment." But they do know the meaning of "Plant Closed," "I'm out of work; I need a job; how do I get one."

Trade Adjustment Assistance benefits were designed to buffer the stress and pain that inevitably results from the permanent loss of one's job because of increased imports. The rationale for their inclusion was that inasmuch as the country would profit from increased imports on the whole, those workers who would be the losers should be compensated for the loss of their jobs and given intensive help to secure new ones.

During the first phase of the program, the emphasis was on compensation; and most of our members used the cash benefit allowances and continued their employee relationship in the hopes that increased production or job openings due to the attrition of older workers would provide reemployment in their firms. This earlier TRA experience subjected the program to intense Congressional criticism. Cash benefits in many cases were delivered to workers after they had returned to work. Few workers utilized the readjustment or training aspects of the program. According to a Labor Department study, less than 1% of the 403,000 workers who received benefits between 1975 and 1978 applied for job search or relocation allowances; and only 15,000 workers entered training.

In 1981, the TAA program was radically changed. The weekly cash benefits were reduced to the level of state unemployment compensation rates offset by state and federal programs. The emphasis under the new program focused on the readjustment features. Now that our members recognize that their plants are closing for good, there has been a significantly higher number requesting retraining. The Labor Department estimates that approximately 10,000 steelworkers have entered TRA training since 1981 and that approximately one-fourth of the workers who completed their training were placed in positions related to their field of training. The director of the Western Pennsylvania region of that state's Employment and Training has advised us that there are an additional 3,000 applicants waiting approval of their training request.

When you look at the benefits which the TAA program affords trade impacted workers, they seem impressive:

o for workers with employable skills,

up to 26 weeks beyond their state's unemployment benefits to continue their job search;

- for workers in single company towns, there are extended job search allowances;
- and for workers lucky enough to find new jobs in other areas there is a family relocation allowance;
- for workers whose skills are not immediately transferable, there is an opportunity to receive training to reenter those emerging industries as a productive citizen.

But your committee is wise to come out in the field and look at the realities, and ask questions of those who administer the program locally and those who were intended to benefit from the program.

Finally, here are my observations and recommendation for improving the TAA program:

1. The previous Secretary of Labor was not fond of the program and did precious little to see that the benefits were distributed. For example, the pamphlet issued by the Department to advise workers of their benefits says not one word about the requirement to apply for training within 210 days of layoff or he forfeits that benefit. Inasmuch as the new Secretary has been our principal trade representative, we hope he will rectify this problem.

2. I have a lot of respect for the local employment service; but when a steel mill shuts down and 2,000 workers rush in to apply for their unemployment compensation, the service can do little more than get out the weekly checks. In our dislocated worker centers we make every effort to advise our people of the TAA benefits and those time and reporting limitations.

3. Imports not only hurt workers in the final manufacture or assembly stage of production. Independent parts and service supplies go down the drain along with them. We think that the court's decision to deny their coverage was beyond the intent of the Congress; and we urge that they be made eligible.

4. Congress is currently debating the debt and expenditures; and we recognize the seriouness of the problem. We also are conscious of the fact that if Steelworkers, copper workers, shoe workers, auto workers and those others in manufacturing who have lost jobs because of imports were working and paying taxes, and not receiving unemployment benefits, your task would be a lot easier. But there is a distinction that must be made between expenditures and investments. We estimate that it costs about $50,000 to provide a child with an education through high school and that this investment in human potential pays rich dividents. If after years of work those skills have become obsolete, do we not have an obligation to reinvest so that they may again be usefully employed.

In the ten years since they passage of the Trade Act, 75% of the House of Representatives are no longer members; some died, a few retired but none of the rest left without a fight. That's the same way we feel about our laid off members; some have died, some have retired but we are here to fight to continue the program which was designed to make the transiton to new work possible. Mr. Chairman, Members of the Committee, we hope you are in our corner.

Mr. **Pease**. Thank you very much, Mr. Odorcich.

It is an honor to have a vice president of the United Steelworkers with us.

Our next witness is from the United Automobile Workers Union of America, and including Joe Tomasi, who is the director of region 2B, a constituent of Marcy Kaptur in Toledo; Leonard Page, counsel for the legal department, from Detroit; and Art Rush, who is director of the Community Action Program for region 2, in Cleveland.

Joe, do you want to continue?

Mr. **Tomasi**. Yes.

STATEMENT OF JOSEPH TOMASI, DIRECTOR, REGION 2B, INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA—UAW, TOLEDO, OH, ACCOMPANIED BY ART RUSH, COMMUNITY ACTION PROGRAM COORDINATOR, REGION 2, CLEVELAND, OH; AND LEONARD PAGE, COUNSEL, LEGAL DEPARTMENT, DETROIT, MI

Mr. **Tomasi**. Mr. Chairman and members of the subcommittee, I am delighted to be here today to present this testimony on a very important aspect of our lives, and that is the Trade Adjustment Assistance Program.

Before I start, though, I think the testimony of the previous group should—it really threw all of us. We probably could close the hearing and stop, because I think it was excellent. I want to commend all of them for presenting that kind of a story to these Members of Congress.

We think the TAA Program, which will expire on September 30, unless Congress acts to extend that, we are saying to each of you that we urge that legislation to be reaffirmed without delay, and I think you can understand the reason for it.

The TAA Program represents a special covenant between the victims of trade policies and their Government which has made and administers those policies. It has been recognized that significant problems that can flow from liberalized trade policies. Domestic industries and workers are adversely affected by increased imports, and I think that we are feeling the brunt of that in the auto and steel industries, and rubber industries more than anybody else in America at the present time.

We support House Resolution 1926 sponsored by Congressman Pease. One of the positive features of that proram is the trust fund concept it contains for funding adjustment assistance. And, again, I see that as as being a very positive ongoing kind of way of doing it, rather than coming back to Congress constantly to try to refund programs.

According to a Department of Labor survey, one-fourth of all displaced workers who lost their jobs between January 1979 and January 1984, 1.3 million persons, are still unemployed and looking for work.

A comprehensive study of laid-off auto workers in Michigan found that only 28 percent were able to pursue training while on layoff, and concluded that more financial assistance could have helped many more of the laid-off to take training.

One of the real problems we find in all of these training programs is that they, first, are not too well publicized, and we try to do our best in that particular effort. But trying to find an encouragement for somebody that does not have income to take training programs while they have got families to support is pretty difficult.

Industrial workers were dealt an additional blow this past March when the VRA on auto imports from Japan was allowed to lapse by the President.

We put up quite a struggle in this particular area, but, again, we're talking to people who are the great free traders, and are destroying most of the jobs in industrial America.

We believe that Congress has the responsibility to recognize the growing need to assist employers and workers in finding alternative ways to support themselves and their families.

In our judgment, the JTPA Dislocated Worker Program has serious inadequacies. It emphasizes short-term training and placement in low-paying jobs.

Again, you have difficulty encouraging people who are in the kind of industries—steel and auto—who are the best-paid workers in America, to take jobs to do things that provide minimum wage jobs.

In contrast to the short-term measures of the JTPA, the more extensive training assistance of the TAA permits real skill development necessary to qualify workers for jobs providing decent standards of living.

Workers at independent parts companies supplying auto manufacturers should not be treated differently simply because their end product might be auto parts instead of finished automobiles.

We have had a lot of experience in trying to get certification in the auto supply industry, which was located mostly in the Toledo area, and in northwest Ohio, and we failed in most of those areas to certify those people.

We urge Congress to assure the component parts workers, who are displaced because of imports, received TAA coverage to the same extent as workers displaced from jobs where they are employed making finished products.

In addition, workers, whose jobs are lost when their employers move overseas, should also be covered by TAA.

And, finally, in keeping with the express purpose of the act, Congress should provide a full 52 weeks in which a certified worker can take and complete training.

With these important and needed modifications, the TAA Program can fulfill the promise made to workers more than 20 years ago. TAA must be reauthorized, and it should be improved.

Thank you.

Mr. PEASE. Thank you very much, Mr. Tomasi.

[The prepared statement follows:]

STATEMENT OF JOSEPH TOMASI, DIRECTOR, REGION 2B, INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (UAW)

SUMMARY OF STATEMENT OF THE INTERNATIONAL UNION, UAW

The TAA program will expire on September 30, 1985, unless Congress acts to extend it. We believe strongly that the Congress should do so, and we urge this Subcommittee to approve legislation without delay to continue the TAA program.

The TAA program represents a special convenant between the victims of trade policies and their government which has made and administers those policies.

It has been recognized that significant problems can flow from liberalized trade policies. Domestic industries and workers are adversely affected by increased imports.

TAA is designed to assist workers and employers who may be the victims of U.S. trade policy.

The TAA program is an essential element of U.S. trade policy. It should be reauthorized at adequate funding levels to meet the needs of workers and employers who are injured by U.S. trade policy.

The UAW supports H.R. 1926 sponsored by Representative Pease.

One of the positive features of H.R. 1926 is the trust fund concept it contains for funding adjustment assistance.

According to a Department of Labor survey, one-fourth of all displaced workers who lost their jobs between January 1979 and January 1984—or 1.3 million persons—are still unemployed and looking for work.

A comprehensive study of laid off auto workers in Michigan found that only 28 percent were able to pursue training on layoff, and concluded that "more financial assistance could have helped many more of the laid off to take training."

Industrial workers were dealt an additional blow this past March when the Voluntary Restraint Agreement (VRA) on auto imports from Japan was allowed to lapse by the President.

We believe Congress has a responsibility to recognize the growing need to assist employers and workers in finding alternative ways to support themselves and their families.

In our judgment, the JTPA dislocated worker program has serious inadequacies. JTPA emphasizes short term training and placement in low paying jobs.

In contrast to the short-term measures of the JTPA, the more extensive training assistance of TAA permits real skill development necessary to qualify workers for jobs providing decent standards of living.

Workers at independent parts companies supplying auto manufacturers should not be treated differently simply because their end product might be auto parts instead of finished automobiles.

The UAW urges Congress to assure that component parts workers who are displaced because of imports receive TAA coverage to the same extent as workers displaced from jobs where they are employed making finished products.

In addition, workers whose jobs are lost when their employers move overseas should also be covered by TAA.

Finally, in keeping with the expressed purposes of the Act, Congress should provide a full 52 weeks in which a certified worker can take and complete training.

With these important and needed modifications, the TAA Program can fulfill the promise made to workers more than 20 years ago. TAA *must* be reauthorized—and it should be improved.

Mr. Chairman and Members of the Subcommittee, we are delighted to be here today and to have the opportunity to testify before this Subcommittee on the important subject of the Trade Adjustment Assistance Program for workers.

The UAW represents more than one million workers and their families; we strongly support extension of the Trade Adjustment Assistance Program (TAA) authorized as part of the Trade Act of 1974. As this Subcommittee knows well, the TAA program will expire on September 30, 1985, unless Congress acts to extend it. We believe strongly that the Congress should do so, and we urge this Subcommittee to approve legislation without delay to continue the TAA program.

Mr. Chairman, the TAA program represents a special covenant between the victims of trade policies and their government which has made and administers those policies. TAA has been an integral part of U.S. trade policy for more than 20 years. It should be reauthorized for a period of at least five years and receive sufficient budget authority to make this covenant a reality. In addition, we urge an expansion

best copy available

of TAA coverage to include component parts workers and others who are clearly identifiable victims of trade policy.

The U.S. has adopted liberal trade policies with respect to other countries because such policies have been deemed to be in our national interest and the interests of our trading partners. We are told that liberal trade policies improve opportunities for consumer choice, increase the market for exporting industries, and improve the prospects for world peace. It has been recognized, however, that significant problems can flow from such trade policies. Domestic industries and workers can be adversely affected by increased imports.

Recognizing the potential for such problems, Congress has provided two forms of administrative relief for domestic victims of trade policy. First, an escape clause mechanism was established for industries and workers threatened with serious injury. The President may invoke marketing agreements, quotas or tariffs to protect domestic industry and its work force upon an injury showing. In addition, an adjustment assistance program was created to target relief for individual workers and employers. The TAA Program eases the adverse impact of imports on affected firms and workers, while avoiding the repercussions which may accompany escape clause remedies.

The TAA Program provides training, job search and relocation assistance, and benefits to supplement unemployment compensation to workers certified as having been displaced by imports. Certified employers receive assistance and low interest loans so that they can become more competitive or develop new product lines. Thus, TAA is designed to assist workers and employers who may be the victims of U.S. trade policy.

This system was established in the original Trade Expansion Act of 1962 and improved upon under the Trade Act of 1974. Under the Omnibus Budget Reconciliation Act of 1981, however, the income maintenance aspects of the program were slashed in exchange for a promised improvement in training benefits.

The 1981 cutbacks, coupled with an extremely low rate of certification of plants and workers, have reduced the program to a shadow of its former self. In the 1982 recession, only 15,000 workers were certified. In 1983, the figure was 40,000. In 1984, less than 30,000 were certified. Now the Reagan Administration wants to terminate the program, and eliminate yet another safety net from the domestic sector. The Administration's position is contrary to our national interest, because TAA plays a role in U.S. trade policy which is not served by any other government program. The TAA program is an essential element of U.S. trade policy. It should be reauthorized at adequate funding levels to meet the needs of workers and employers who are injured by U.S. trade policy.

TAA REPRESENTS A SPECIAL COVENANT BETWEEN THE VICTIMS OF U.S. TRADE POLICY AND THEIR GOVERNMENT

Congress has recognized that unemployed victims of trade policies are different from other unemployed persons because their status is directly attributable to government trade policies. Congress has stated the rationale for providing targeted benefits to the victims of federal trade programs:

"The program is premised upon the belief that trade-related unemployment and market disruption may differ somewhat in nature from that arising from other causes, and upon the belief that such trade-related imports, resulting from a federal policy of encouraging increased foreign trade for the benefit of the country should not be borne unaided by particular segments of U.S. industry and labor." [1]

For more than 20 years, Congress has promised American workers that federal programs for expanding trade would occur within a system of assistance for workers displaced by these trade policies. We hope Congress does not renege on that bargain now. It would be unjust to tell the victims of liberalized trade policies that their promised assistance is being terminated.

For this reason, the UAW supports H.R. 1926 sponsored by Representative Pease and we commend you, Mr. Chairman, for sponsoring it and for your leadership on this issue. One of the positive features of H.R. 1926 is the trust fund concept it contains for funding adjustment assistance. By establishing a separate trust fund financed through custom duties, the uncertainty about program funding would be eliminated. The trust fund would not contribute to the federal budget deficit. TAA would be funded through a uniform duty on imports.

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[1] Staff Data Materials relating to TAA Program prepared for use of Subcommittee on International Trade, Staff of Senate Committee on Finance (96th Congress, 1st Session, 1979).

Workers displaced by imports justifiably look to their government for assistance because their unemployment is a direct result of the government's policies. Without a viable TAA program, we can only suggest that the mounting displeasure among workers about U.S. trade policies will grow even more rapidly. We urge Congress to consider favorably the proposed trust fund idea proposed in Representative Pease's bill.

THE TAA PROGRAM CONTINUES TO SERVE THE NEEDS OF WORKERS DISPLACED BY IMPORTS

In fiscal year 1984, total TAA costs were less than $56 million; about $21 million was used for training, job search, and relocation benefits, and $35 million was used for the weekly trade readjustment allowances (TRA).

This cost pales significantly when compared with the value of imports of manufactured goods. That value has increased from $132 billion in 1980 to $232 billion in 1984, and a projected $255 billion in 1985. In light of the tremendous growth in imports, it is clear that the recent modest expenditures for TAA in no way reflect a reduced demand or need for adjustment assistance.

The Department of Labor conducted an extensive survey of 5.1 million workers displaced from their jobs between January 1979 and January 1984. The survey showed a compelling need for reauthorization of TAA. Two and one-half million workers were displaced by plant closings or relocations during this period. Nearly half of the displaced workers came from the manufacturing sector of the economy, including nearly 225,000 in the automobile industry alone. One-fourth of all displaced workers—or 1.3 million persons—are still unemployed and looking for work. Another 15 percent of displaced workers have dropped out of the labor force altogether.

Recently, the UAW and Boston College completed a comprehensive study of laid off auto workers in Michigan. The study found that more than 40 percent of these workers used up all their savings while they were out of work. The average layoff lasted 66 weeks. Only 28 percent were able to pursue training while on layoff, and the study found that "more financial assistance could have helped many more of the laid off to take training." There is no question that more financial assistance and a greater duration of assistance are necessary to provide meaningful training opportunities for displaced auto workers.

The U.S. automotive trade deficit has reached $34 billion, and it continues to grow. Auto industry employment remains 23 percent below 1978 levels. Profits are up, but employment is down. There are still 60,000 Big Three auto workers on layoff status today. In addition, imports of auto component parts have increased greatly, creating more unemployment. These displaced workers need assistance; TAA is the answer.

THE NEED FOR THE TAA PROGRAM CONTINUES TO GROW

Industrial workers were dealt an additional blow this past March when the Voluntary Restraint Agreement (VRA) on auto imports from Japan was allowed to lapse by the President. Japanese auto imports had been limited to 1.85 million vehicles a year for the last two years. The need for TAA is even greater now that imports are going to increase substantially. Thousands of U.S. workers in auto and auto-related industries are in danger of losing their jobs because of increased imports.

We estimate that imported Japanese cars in this country could increase by an additional one million units over the next year. That would cost 200,000 jobs at a time when the Reagan Administration is making every effort to terminate TAA. We believe Congress has a responsibility to recognize the growing need to assist employers and workers in finding alternative ways to support themselves and their families.

THE JOBS TRAINING AND PARTNERSHIP ACT (JTPA) IS NOT A VIABLE ALTERNATIVE TO TAA

The Administration's budget views Title III of the Jobs Training and Partnership Act (JTPA) as an alternative to TAA. In our judgment, the JTPA dislocated worker program has serious inadequacies.

First, the program simply does not serve enough of those in need. There are hundreds of thousands of dislocated workers across the country, but only about 80,000 workers will be reached in the current JTPA year. Early studies of JTPA indicate that, in general, only the most qualified and easiest to place workers have been receiving the most immediate JTPA attention. JTPA emphasizes short term training and placement in low paying jobs. For example, information collected in Michigan under the JTPA older workers program shows that workers placed in employment in the Detroit area had an average wage of only $4.95 an hour.[2] The programs do not teach lifelong skills, and earnings of graduates of JTPA Programs are not enough to put the average family over the poverty line.

Furthermore, because of restrictions of stipends and allowances, many workers are prevented from participating in the JTPA programs because they lack resources to support themselves while in training. The Administration budget proposes a rescission of $120 million in the Title III budget authority, which would make it even less adequate as a program to meet the needs of dislocated workers.

In contrast to the short-term measures of the JTPA, the more extensive training assistance of TAA permits real skill development necessary to qualify workers for jobs providing decent standards of living.

THE COVERAGE OF THE CURRENT TAA PROGRAM IS OVERLY LIMITED

In addition to reauthorizing TAA and providing for adequate funding to implement Representative Pease's bill, the UAW urges Congress to address longstanding shortcoming of the TAA program. Workers whose livelihoods are threatened by governmental policies which have a destructive impact on domestic industry need a fighting chance to continue as contributing members of society.

For years, the UAW and the other supporters of TAA have advocated coverage of component parts workers under TAA. The operation of the current system is not equitable.

Workers laid off at Champion Spark Plug due to imports of foreign automobiles, for example, were understandably angry and confused when their TAA certification was denied while workers at GM-owned AC Spark Plug were certified. Workers at independent parts companies supplying auto manufacturers should not be treated differently simply because their end product might be auto parts instead of finished automobiles. There is no question that thousands of employees in the independent parts and suppliers industry are going to lose their jobs in the next fews years as a result of the Administration's decision to permit increased Japanese auto imports. Under the current TAA certification standard, these workers have no chance of obtaining assistance under the program.

If such clearly identifiable victims of U.S. trade policies are denied TAA, there is no question that we have failed to provide some measure of equal justice and treatment for component parts workers. The UAW urges Congress to assure that component parts workers who are displaced because of imports receive TAA coverage to the same extent as workers displaced from jobs where they are employed making finished products.

In addition, workers whose jobs are lost when their employees move overseas should also be covered by TAA. Their employment is frequently directly related to trade polices, even if the new overseas operations do not directly or immediately import the product it makes into the U.S. Finally, in keeping with the expressed purposes of the Act, Congress should provide a full 52 weeks in which a certified worker can take and complete training. There are many valuable training programs that cannot be finished under the current limitations on TAA training assistance.

With these important and needed modifications, the TAA Program can fulfill the promise made to workers more than 20 years ago. TAA *must* be reauthorized—and it should be improved. With the proper emphasis on relocation and readjustment through improved training and job search, the TAA program can become highly effective in helping workers who have been displaced because of imports to help themselves.

Mr. Chairman, we have appreciated being with you this morning. The program you are considering is critically-important to workers and the families of workers in import-impacted industries such as auto, steel and others. TAA is needed by them; we hope the Congress will respond by continuing the program.

Thank you for the opportunity to share the views of the UAW with you.

Mr. PEASE. Does either Mr. Page or Mr. Rush wish to—Mr. Rush.

Mr. RUSH. First, I would like to say that I thank the committee for allowing me this opportunity this morning to speak here.

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[2] Michigan Department of Labor, Bureau of Employment and Training, "Service Delivery Area Average Wage At Placement Performance Standard (July 1, 1984 to March 31, 1985) (April 22, 1985).

I am pleased to be here and afforded the opportunity to testify on behalf of Warren Davis, our regional director in region 2, who could not be here himself because he is out of the country on other union business.

UAW, region 2, geographically covers northeastern Ohio and northwestern Pennsylvania. Our region has been particularly hit hard by unemployment and massive loss of jobs due, in part, to unrestrained imports and manufacturing jobs, as well as technology related to those jobs.

In the independent parts and supplies industry, for example, we have seen thousands and thousands of jobs lost, dozens of factories closed, or almost completely put out of business due to the wholesale exporting of American jobs to foreign countries. Just a few of those companies, whose employees were represented by our union, were Lamson & Sessions Co., Tinnerman Products, who produced fasteners: and Angel Nail Co., who manufactured nails, but there are many, many other companies along the same lines in the independent parts and supplies.

The big three auto companies—Ford, Chrysler, and General Motors—have manufactured engines, transmissions, and other major auto components in South America, Japan, Mexico, and other foreign countries.

The lifting of the Voluntary Restraint Agreement on imported Japanese cars seriously adds to the problem, because the Japanese Government immediately announced that it will ship 25 percent more Japanese-made passenger cars to the United States in the year ending April 1, 1986. While many Americans think that this means simply that we will see more Japanese cars in the country, the Japanese Government later announced other allotments that will multiply sales of so-called captive imports, but the Japanese cars imported by American companies, like General Motors, Ford, and Chrysler, and then sold in their showrooms in the United States.

A partial list of the import hike each company is now allowed includes, for example, Suzuki/General Motors imports, up 209 percent; Isuzu/General Motors imports are up 134 percent; Mitsubishi/Chrysler imports, up 52 percent; and Mazda/Ford imports, up 32.5 percent.

As you know, as members of the committee here, that the independent parts and suppliers, as well as affected workers whose plants are moved overseas, are not covered by the current law, nor are they covered by House bill H.R. 1926

I would like to have this background paper, if I may, submitted for the record.

I would like to take a minute or two to elaborate on a specific section under chapter III. The section found on page 21 is entitled "Gainers and Losers as a Result of Trade Liberalization."

In 1979, the Congressional Budget Office seriously anticipated the very problems we have seen develop as a result of free trade policies. In fact, in this report, they were directly on target by specifying the types of jobs, and workers who would be affected, and the specific States and urban areas that would suffer the greatest losses. As predicted, the semiskilled workers, such as machine operators, assemblyline workers, and nonfarm laborers, suffered the greatest losses.

Geographically, most of the net job losses resulting from trade liberalization have taken place, as anticipated, in the urban areas of the north and the east, particularly, in Illinois, Massachusetts, Michigan, New York, Ohio, and Pennsylvania. As a result, the workers hardest hit, such as the semiskilled production workers, are the hardest to place in new occupations due to trade liberalization.

Unemployment compensation and trade adjustment assistance are far from adequate, and if Congress chooses to approve a Trade Liberalization Agreement, it may wish to consider expanded or restructured programs providing relief to the losers.

In closing, let me just say that the United States World Trade deficit in 1979, 1980, 1981, 1982, and 1983 was only a fraction of the $123 billion which it reached in 1984; and there is strong indications that it will exceed that 1984 level by a sizable amount in 1985.

I think this should clearly indicate to the members of the subcommittee, as well as the Congress as a whole that trade adjustment assistance should not only be extended, but it should be expanded to include the independent parts and suppliers, and workers, affected as a result of plants moving overseas.

Again, on behalf of my regional director, Warren Davis, I want to thank this committee for allowing me the opportunity to appear before you today.

Mr. PEASE. Thank you very much, Mr. Rush.

We appreciate that testimony very much, and we are pleased to have you here.

Mr. Page.

Mr. PAGE. Thank you, Congressman Pease.

I have been coordinating the UAW's Trade Adjustment Assistance Program for about—well, since 1970, a long time, and I have testified many times on the program.

Usually, it was to try to get Congress to improve the program, to add things like independent parts suppliers, to help us get the Department of Labor moving to educate members, to really promote training.

Now, we still want all of that, but for the first time, I get this sense that, rather than improving the program, we are really worried about its survival.

It is difficult for me to understand that. I come here with a great sense of frustration with the idea that this program, which has admittedly, been cut back to a skeleton of what it once was; we are now being told that we can't even have that.

Now, normally, when an administration does that, it is either because the program is not needed, or you have some other program to replace it, or the country simply cannot affort it. I would like to go through each of those three possibilities.

Well, let's talk about need. Well, in the auto industry, we have known that since 1979 we permanently lost somewhere in the neighborhood of 400,000 to 500,000 jobs. Our projections that with the VRA lifted, we see 1 million more Japanese cars coming in in the next year, and a loss of an additional 200,000 jobs.

The projections for manufactured imports coming into this country: 1980, which was a very high year, there were $132 billion; 1985, the projections on manufactured imports are supposed to get to $255 billion.

So, from our perspective, there is still a crying need for this program.

Well, let's look to the other factor then.

Are there other programs in place that can fill the bill?

We have been pointed, by the administration, to the Job Training Partnership Act. Well, it is a fine program, but it really does not target its benefits to this type of problem.

From our perspective, it concentrates on short-term training. Last year, it serviced 80,000 workers. Now, that's great, but the average job found by someone who completed the JTPA paid $4.95 per hour. That's not the type of retraining that is going to permit people to buy a new house or a new car.

I am afraid we are not going to have a middle class of $5 an hour workers in this country. It is not going to be in the middle class we have all experienced and come to worship in this country for the past postwar era.

So, we really do not think the JTPA Program is really the substitute. And, moreover, we note that the administration is proposing to cut $123 million from that program in addition to eliminating this one.

Now, the last argument that, maybe it hasn't been spoken of too loudly, is we cannot afford it.

Well, let's hit it headon. In 1982, when we had in excess of 10 million people unemployed, the Department of Labor managed, under this program, to certify 15,000 workers.

In 1983, they went skyhigh. They got all the way up to 40,000 workers certified. Last year, we had 30,000 workers certified for TAA benefits. It cost taxpayers $56 million, this whole program, last year.

Now, put that in relationship to the total value of manufactured imports for 1985, $255 billion. Well, I tried to do this in longhand on the plane over, and I came out to four decimal places.

As a percentage, a program cost equal to the total value of manufactured imports. It simply is beyond me to say that this Government cannot afford a program costing $56 million.

And I think it would be a mistake to eliminate it. It is going to tie the Government's hands in dealings with the problem of imports.

Without TAA, there are either going to be pressures for escape clause relief under the Trade Act, which has serious international repercussions when you are talking about things like quotas and tariffs, or there is going to be increased cries for special legislation, such as domestic content.

Without this safety valve, I assure you that these other two routes are going to be pressed more and more, and I think any administration, any President, would like to have a variety of tools available to deal with the problems of imports.

And to eliminate this program now, we are going to regret it someday, because we are either going to have a big backlash against this increasing import problem, or we are going to have increased demands for special legislation.

I think it would be an error, a great error, for either Congress or any administration to terminate such a program that has worked relatively well, and, as we can see by the worker panel this morning, at least in their cases, really help them get back on their feet.

Thank you, Congressman.

Mr. Pease. Thank you very much, Mr. Page, for that excellent testimony.

Next, we will hear from Steve Clem, director of research and international affairs, Amalgamated Clothing & Textile Workers Union.

Mr. Clem.

STATEMENT OF MILAN STONE, PRESIDENT, UNITED RUBBER, CORK, LINOLEUM & PLASTIC WORKERS OF AMERICA, AS PRESENTED BY STEVE CLEM, DIRECTOR, RESEARCH AND INTERNATIONAL AFFAIRS

Mr. Clem. Mr. Chairman and members of the committee, my name is Steve Clem, and I am the director of research and international affairs of the United Rubber Workers, not the Amalgamated Clothing Workers.

Mr. Pease. Oh, I am sorry. My apology.

Mr. Clem. No, that is quite all right. It is the way they are put together on the list. It makes it look that way.

The first thing I would like to do is commend you on having this hearing. I think it is very worthwhile.

The second thing I would like to do is extend the apologies of the International Rubber Worker president, Milan Stone. He had intended to be here with you this morning, but I think that he's doing a lot of what Congressman Levin has been doing lately—spending a lot of time on airplanes, and I think he is on his way to Washington this morning.

So, he does extend to you his apologies and his congratulations on having this hearing.

We are headquartered in Akron, which used to be known as the tire capital of the world, and now we don't make any tires in Akron, save a few airplane tires and a few racing tires, but nothing that you can go in the store and buy.

We are here because we support trade adjustment assistance, and we have for a long, long time. What I would like to do is give you some of our reasoning why we think that support is valid and why the program is needed.

In 1983, and some of these numbers have already been thrown out, the trade deficit was at $70 billion.

In 1984, it almost doubled to $123 billion, and for the first quarter of this year, the first quarter of 1985, it has risen by 9 percent. And some are predicting that the trade deficit could rise to as much as $250 billion by the end of the 1980's.

Now, the rubber and plastics industry, I am sad to say, has contributed significantly to the overall trade deficit.

In 1983, the rubber and plastics products deficit was almost $2 billion. In 1984, it ballooned by 74 percent to a record $3.25 billion.

and for the first quarter of 1985, the deficit in rubber and plastic products was nearly $1 billion.

That's 41 percent higher than it was last year. On this basis, we feel that we can expect a 1985 trade deficit in rubber and plastics products well in excess of $4 billion.

In looking through some of the data, in preparing for this appearance, I found that there are only two rubber and plastics product categories that show a positive balance of trade for the first 3 months of 1985, and neither of them are very significant.

They were rubber headwear and packaging materials, and even there the gap is closing. But while there's a problem in almost every category of rubber and plastics products, the main problems we've had have been in rubber footwear, and, more recently, in tires.

I think the rubber footwear story is kind of an old story. It's history. It's been battered by imports for years and years and years, at least 15 or 16 years. It's become, consequently, a very small domestic industry, which has absolutely nothing to look forward to, except increasing import penetration, and a declining number of jobs and declining production.

It's in tires, though, where the most recent impact has been felt, and where the most recent significant inroads have been made.

Ten years ago, imports held about 8 percent of the domestic market for passenger car, truck, and bus tires.

By 1984, imports had surged to the point where they had 21 percent of the market. That amounted to 37 million tires that came into the United States last year. It would have required almost 2½ tire plants to produce those tires.

And for the first 3 months of 1985, tire imports have continued to set records, with passenger tires running 12 percent ahead of last year, and truck tires running anywhere from 6 to 18 percent ahead of last year depending upon what type or size tires we are talking about.

And we expect the penetration rate of imports to continue in 1985.

Now, to be absolutely fair about the whole thing in 1984, part of the reason that the import penetration rate went up as rapidly as it did was because the industry was caught offguard.

It didn't have the capacity to meet what was unexpected demand, and, consequently, imports filled the gap.

Probably about 20 percent of these imports came from foreign subsidiaries of American companies. They made up the difference in 1984, and they took a large part of our market.

The domestic industry has now caught up with demand. They now have the capacity, but imports are still pouring in at an increasing rate. This is what has us very worried at this point in time.

So far, I have concentrated on the replacement market for imported tires, but we obviously have a very, very close relationship with the automobile industry, and we are affected as well by the increasing imports of foreign cars and trucks into the United States, because these are all fitted with foreign tires and with other rubber and plastics products.

In 1984, for example, somewhere in the neighborhood of 17 million additional tires came in mounted on foreign cars and trucks. And if you add the two up, if you add imported replacement tires and imported tires already mounted on a foreign vehicle, we have a total of 54 million tires coming into this country last year.

It would have required between three and four plants to manufacture those tires. So, we get hit both ways. We get hit with an increasing import penetration rate in the primary product and increasing import penetration rate in what amounts to an end product for which we are a component supplier.

In addition to tires, we obviously represent a substantial number of workers in other auto-related products: such as, hose, belting, weather stripping, and so forth.

More than 60 percent of the synthetic rubber that is used in this country is used by the domestic automobile industry. So, we are very dependent upon them.

The URW has been very concerned about the overall trade picture, and, as it specifically applies to ourselves, for a long, long time.

Our experience with trade adjustment assistance dates back to the Trade Expansion Act of 1962.

Under that legislation, as I am sure you are all aware, the requirements were so tough as to virtually preclude, in fact, to preclude any certifications until 1969.

The principle underlying the establishment of the Trade Adjustment Assistance Program that came out of the Trade Act of 1962 was the belief that the special nature of employment disruption resulting from changes in trade policy necessitated a level of worker protection somewhat beyond what is available through regular State unemployment insurance programs. It was, in essence, a tradeoff for trade liberalization. But, while trade has gotten more liberal, trade adjustment assistance has become much more restrictive.

In 1981, TAA saw its effectiveness severely diminished by the Reagan administration. And what we have now, in terms of trade adjustment assistance, is really kind of a poor imitation of what existed between 1975 and 1981.

We would urge the administration and the Congress to do more than simply reauthorize the Trade Adjustment Assistance Program when it expires in September.

We would urge that the program be revitalized and improved to make it more meaningful. Specifically, there are three major areas that we would like to address. Given the intent of the program when it was originally passed into legislation, we feel that compensation, along the lines that existed under the Trade Act of 1974, would be more appropriate than the simple extension of unemployment compensation that is the current TRA benefit.

We also feel very, very strongly that the program should be expanded to include coverage for workers that are employed by suppliers of component parts to import-affected end products.

We have had a great many negative determinations on applications that we have filed simply because of that reason.

And it gets difficult for me to write letters to our local unions telling them that this was the reason, when they are, certainly, just as much affected as the manufacturer of the end product.

Finally, we would urge that the training segment of the program be improved considerably and made more of a certainty, or an entitlement, if you will, than it is now. We have had a lot of people that would like to have had training and were unable to get it because the funding simply was not there.

We think there's a lot of problems with the trade picture in the United States, and we don't think that trade adjustment assistance is the entire answer, certainly, to our country's problems. But, without it, the workers will have to carry an unfair burden, as we see it, for our trade policies.

Alan Wolff, whom I am sure most of the members of the congressional panel know, the former Deputy Special Trade Representative, and who now is the counsel for the Labor Industry Coalition for International Trade, testified for trade adjustment assistance before the Senate Finance Committee on December 1981, and perhaps he said it best when he made the point that "Some things should be done simply because they are right."

Thank you.

Mr. **PEASE**. Thank you very much, Mr. Clem.

[The prepared statement follows:]

STATEMENT OF
MILAN STONE, PRESIDENT,
UNITED RUBBER, CORK, LINOLEUM & PLASTIC WORKERS OF AMERICA

Mr. Chairman and Members of the Committee:

My name is Milan Stone. I am President of the United Rubber, Cork, Linoleum and Plastic Workers of America. The URW is headquartered in Akron, Ohio. We represent approximately 130,000 members who work in the rubber, plastics and allied industries in the United States and Canada. We certainly welcome and appreciate the opportunity to make our feelings on the issue of trade and trade adjustment assistance known to this Committee.

In 1983, the overall trade deficit was $70 billion. In 1984, it nearly doubled, rising to $123 billion. For the first quarter of 1985, the trade deficit has risen by 9 percent. Some are predicting that the trade deficit could rise to $250 billion by the end of the 1980s. That's money that is going out of the United States to pay for imports; money which then isn't available for use here; money which creates jobs in other countries while the U. S. unemployment rate remains too high; money that might very well slow the economy here at home.

Such rapid growth in the trade deficit is not sustainable unless the industrial sector of the U. S. economy is to be completely written off. According to some estimates, trade deficits have already cost 3 million Americans their jobs, primarily in manufacturing.

As the AFL-CIO Executive Council correctly stated at its February meeting: "America's trade problems have reached crisis proportions."

Under the Reagan Administration, the United States has a budget deficit pushing $200 billion and no serious plan to reduce it. The vastness of the deficit has resulted in high interest rates which have in turn attracted huge amounts of foreign capital and made the dollar artificially strong as an international currency.

The result is that dollars are worth more in terms of various foreign currencies than they were just a few years ago. Put another way, the strong dollar makes imports less expensive for Americans to buy. This may at first glance sound like a good deal for the American consumer; however, the cheap imports thus compete more effectively against domestic-made products and cause lost American jobs. On the other side of the coin is the fact that the strong dollar makes American exports more expensive and thereby less competitive in foreign markets--and more American jobs are lost. Because of this disparity in currency valuation, the American worker is put at a major disadvantage before he even gets to the factory gate.

According to a report by Ralph Nader's Center for the Study of Responsive Law, the artificially propped-up dollar has cost 21 U. S. manufacturing industries almost 615,000 jobs since 1980-81.

Compounding the currency problem are the outdated foreign trade policies followed by our government; policies which cling to free trade principles while the rest of the world takes advantage of such naivete. U. S. economic policies, both domestic and trade, seem to be geared toward penalizing American industry and the American worker. Our policies make imports cheaper and exports more expensive. They make it more attractive for our own companies to outsource rather than build it here. We allow, we almost encourage, other countries to use unfair trade policies to improve their economies at our expense.

The economy of the United States has been changing for years. It is not news that our economy is predominantly a service economy--it has been for a long time. Since 1960, roughly 31 million new U. S. jobs have been created, but of this total only about 1 million were jobs in the manufacturing sector--the sector that has historically powered improvements in the American standard of living.

Many signs indicate that this country now stands in danger of losing its industrial base and the decent-paying jobs that go with it. If present trends were to continue, some economists are projecting the development of a two-tiered economy and society with a relatively small number of well-paid, highly skilled people at the top of the pyramid, a large low-paid unskilled lower level and very little in the middle. Such an economy would create severe social problems and probably could not long survive.

Right now, America is the biggest, most lucrative market in the world and therefore attracts products from other countries throughout the world. If the United States becomes a nation of low-paid service and retail workers, how will we pay for the imports that continue to flood our market? By being a net importer of the proportions we now exhibit, we do not do either ourselves or our trading partners a service in the long run.

The rubber and plastics products industry, I am sad to say, has contributed significantly to the overall trade deficit. In 1983, the rubber and plastics products deficit was $1.87 billion. In 1984, the deficit ballooned 74 percent to a record $3.25 billion. For the first quarter of 1985, the deficit in rubber and plastics products was nearly $1 billion, 41 percent higher than last year's record pace. On this basis, we can expect a 1985 trade deficit in our industry well in excess of $4 billion.

Only two rubber and plastic product categories showed a positive balance of trade in the first three months of 1985--headwear and packaging materials--neither of which was significant. Even there, the gap is closing.

While trade is a problem in virtually every product category in the rubber and plastic industry, the two major deficit areas are tires and footwear.

In 1984, the deficit in tires was $1.45 billion and in footwear, it was $956.7 million. Between the two, they accounted for 75 percent of the deficit in rubber and plastics products.

The rubber and plastics footwear industry has been battered by imports for many years which now account for roughly two-thirds of U. S. consumption. It has become a small domestic industry which must expect that imports will continue to dominate the market and that domestic production will continue its decline.

It is in tires, however, that the most significant inroads have been made in recent years. Ten years ago, imports held about 8 percent of the domestic market for passenger car and truck and bus tires. In 1984, imports had surged to the point where they had 21 percent of the market. According to Goodyear Tire and Rubber Company, the 37 million tires that came into the United States in 1984 would have required 2.4 typical American tire plants to produce.

For the first three months of 1985, tire imports continued to set records, with passenger tires running 12 percent ahead of the year earlier period and truck tires up between 6 percent and 18 percent, depending on size. We expect that tire imports will increase their penetration rate in 1985.

In 1984, the domestic industry was caught off-guard and was unable to meet the demand. Consequently, imports, some from U. S. companies' foreign subsidiaries, filled the gap and helped make up the difference. The domestic industry has now caught up with demand, but imports are pouring in at an increasing rate because of the high value of the U. S. dollar, because demand for tires is sluggish in many areas of the world and because the United States is the largest tire market in the world and is thus being targeted by many foreign producers.

So far, we have concentrated on the effect of imports in the replacement tire market. However, because of our relationship to the auto industry, we are also affected by the increasing flow of foreign cars and trucks into the United States, vehicles which are fitted with foreign tires and other rubber and plastics original equipment parts. In 1984, for example, somewhere in the neighborhood of 17 million tires came into this country mounted on imported vehicles. Not only do imported autos have this direct effect on domestic original equipment tire shipments, they also have an indirect effect on the replacement market as well. Imported vehicles carrying imported tires create a recognized consumer preference for foreign tires when it comes time to replace those tires. The consumer preference effect is difficult to quantify, but it does have an influence on the domestic replacement tire market.

In addition to tires, the URW also represents a substantial number of workers in other auto-related products such as hose and belting, weather stripping, seat cushions, armrests, bushings, mountings, steering wheels, bumper guards and many other applications. More than 60 percent of the synthetic rubber manufactured in this country is then used in the production of tires and other rubber products for motor vehicles.

We are very concerned about the trade picture, both generally and as it relates to the rubber industry. We have been for a long time. The URW and most of the rest of organized labor in this country have been complaining to the federal government about imports and our foreign trade policy for years. We were pointing out the problems virtually unrestrained imports could cause when it wasn't very fashionable to do so and generally before industry began to express concern.

Now there appears to be more of an appreciation of the adverse effects continuing enormous trade deficits can have. Unfortunately, that appreciation does not yet extend to the White House.

As international trade continues to play a larger and larger role in the economy, sound international economic policies become all the more essential to maintaining a strong, diversified industrial base for the American economy. The future of jobs in this country and the health of all our industries require policies geared to strengthening, not weakening, our industrial economy.

We need an industrial policy and as part of such a policy, we need a trade policy that recognizes the realities of world trade today.

Until we develop and implement such a policy and until we are able to compete on the basis of "fair" trade, there is no question that we must maintain trade adjustment assistance to help those who have been adversely affected by imports.

Our experience with trade adjustment assistance dates back to the Trade Expansion Act of 1962. Under that legislation, the requirements were so tough as to preclude any certifications until 1969. The principle underlying the establishment of the trade adjustment assistance program was the belief of the Congress that the special nature of employment disruption resulting from changes in trade policy necessitated a level of worker protection somewhat beyond what is available through regular state unemployment insurance programs. It was a trade-off for trade liberalization.

This concept of what trade adjustment assistance should be was recognized in the Trade Act of 1974 and between 1975 and 1981, the program was pretty effective, even though it failed to recognize the concrete relationship between end products, component parts and related services.

In 1981, TAA saw its effectiveness severely diminished by the Reagan Administration and the Congress. Trade Adjustment Assistance in its present form is a poor imitation of the version that existed between 1975 and 1981.

Trade Adjustment Assistance, as it existed by virtue of the Trade Reform Act of 1974, was designed to serve two purposes--to compensate those who lost their jobs so that the nation could benefit from increased international trade and to facilitate adjustment, relocating and training workers for better employment opportunities.

The program as it now functions does little of either.

The URW would urge the Administration and the Congress to do more than simply reauthorize this program when it expires in September. We would urge that the program be revitalized and improved to make it more meaningful. Specifically, there are three major improvements we think are needed. Given the intent of the program, we feel that compensation along the lines of that established by the 1974 Trade Reform Act is much more appropriate than the simple extension of unemployment compensation that is the current TRA benefit. We also feel that the program should be expanded to include coverage for workers employed by suppliers of component parts and related services to import-affected end products. The effect on component parts may be indirect, but it is undeniably real. Finally, we would urge that the training segment of the program be improved and that training be made an entitlement.

We certainly do not feel that extending or improving trade adjustment assistance is the answer to our country's international trade problems. But without it, the workers must carry an unfair burden for U. S. trade policies. Alan Wm. Wolff, former Deputy STR, in testifying for trade adjustment assistance before the Senate Finance Committee in December 1981, perhaps said it best when he made the point that "Some things should be done because they are right."

Mr. **Pease**. Now, we will hear from Art Gundersheim, the director of international trade with the Amalgamated Clothing and Textile Workers Union.

I seem to have gotten you and Mr. Clem mixed up on my list. So, I do not want to identify you with the wrong union.

Mr. Gundersheim.

STATEMENT OF ARTHUR GUNDERSHEIM, DIRECTOR, INTERNATIONAL TRADE, AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION

Mr. **Gundersheim**. Well, I have no hesitation with identifying myself with the Rubberworkers Union.

Thank you very much.

And, obviously, we thank you also for having this hearing, although I must say I am not exactly delighted to be here, dealing with, clearly, a problem that is of such magnitude that such a bitterness has been created, that, frankly, most of our members do not quite understand what is going on in Washington—and maybe this hearing will serve a positive benefit.

I unfortunately did not do a written statement. Maybe that is fortunate. It did save you some time. But I would like the record to remain open and then submit it in a few days, if I could, Congressman Pease.

Mr. **Pease**. Surely.

Mr. **Gundersheim**. Therefore, I can summarize very quickly.

I want to make a few points particularly since at the outset of the hearing and many of the colleagues here, who have testified, mentioned the commitment tradeoff that dealt with the labor movement supporting a more open international trade system in return for some means of handling the workers that are displaced as a consequence of that trade.

And it is not just the fact that we want to see that commitment honored, but I think you might see the real issue is the reverse, about what is now our commitment to Congress, to an international trade policy, and I think you are seeing some of the consequences in terms of what is happening in Washington today.

The issue clearly is jobs. It has to do with, really, what is happening with our industrial economy, and the fact that TAA was to be a bridge to deal with the issue as movement occurs, as the world economy changes, that people are not to be sort of thrown on the trash heap, but, in fact, offered some means and some extension of the community support, such that they can maintain their income, their livelihood, and be able to, then, once again become contributing members to the community.

I do not have to reiterate what is happening in the textile and apparel industry. In fact, everybody here who has been invited by the Congressmen—I must say, by the way, parenthetically, it is a great idea to invite members other than those of the Trade Subcommittee of Ways and Means—could be more useful in many more hearings.

All of you have been inundated, I am sure, with the issue of textile and apparel, what's happened with imports, the doubling of imports over the last 4 years, the number of lost jobs, and our attempt to rectify that situation by the Trade Enforcement Act that is now before the Trade Subcommittee of Ways and Means.

The real issue, though, is who is carrying the burden of international trade. Most of the studies today clearly show that management, net capital, is clearly much more mobile than economic theory that previously predicted, and the rate at which transition would occur has been much higher than most economists ever thought possible.

On the other hand, the discovery is that labor mobility, the ability of people to adapt to changing situations, to seek and be able to find alternative employment at reasonably comparable wage levels or levels of income that that has been significantly less than most economists have predicted. And that really goes to the heart of the problem.

At this time, in which the imports are increasing, the industrial jobs are decreasing, and labor mobility is, in fact, much more difficult to achieve today than it was, maybe, in prior years, for a whole host of reasons, to have at the same time the program not just cut back, but literally threatened with extinction, seems to our members to be preposterous.

And I got to say, our members, there's a certain undercurrent of bitterness and hostility that I think will be reflected not just in Washington in terms of trade policy, but I think it would go to the whole issue of supporting our basic foreign policy and many other of our major national programs, and there are people who will seek an outlet that sometimes necessarily will not be rational.

In the process—and I would underscore that point very strongly—because I think you get lost in the shuffle.

In the process, though, let me talk a bit about the Trade Adjustment Program in and of itself, certainly, obviously, we would support a continuation.

And, obviously, Congressman Pease, you have done a service by the introduction of your bill. But I must say the continuation of the program, as is, is not satisfactory, and, in fact, I think it might even raise real questions from our union's point of view.

The Trade Act of 1974 that says that a decision must be made within 60 days of submission of a petition. I don't think the Labor Department has made a single decision within 60 days, except in unusual circumstance, frankly, when certain Congressman have put enormous pressure, or they have been very unique situations.

But I can say that the overwhelming percentage of our cases have come in nowhere close to 60 days. I mean if they come in within 6 months, we are doing very well. And that's an outrage.

Unless something is done to enforce that provision and made some real penalties, I think there is no incentive for the Labor Department to act.

Second, the entire administration of the program by the Labor Department has been a complete turnaround. Within textiles and apparel, I would say during the period, since its enactment up to 1980-81, maybe 80 percent of our cases there was a positive determination that I would say a good majority of the members, who we felt clearly qualified under the act, did receive certification and some degree of benefits.

Since 1980, that has literally reversed. I would say 80 percent of our cases have now been denied, and that's because the overwhelming discretion that is provided, the standards that are in the act are so loose and can be so arbitrarily interpreted, that any single one fact that somehow countermands the basic three provisions can be used as a handle to deny people a certification, and that has been used since 1980. And, frankly, that is a disgrace.

The third thing—let me just give you some numbers, because the act also acts as a bridge supposedly through retraining, through job search assistance, and through relocation support.

And my figures, frankly, go to the beginning, the meaningful beginning, of the program in April 1975 through March 1985. We're talking about a 10-year period.

In the apparel industry, 158,400 workers have been certified over this 10-year period, roughly 58 percent of those who petitioned.

Out of those 158,000-plus, 2,756, or literally 1.7 percent, entered retraining programs.

Out of those entered, 1,429 completed it, much because of the pressures that the prior panel has described. That is less than 1 percent who completed training—661 actually found jobs as a consequence of their training. That is one-half of 1 percent of all of those who were certified during the entire existence of the program.

In the textile area, the figures are similar—26,400 were certified; 784 entered training; 341 people completed that training; and 51, or two-tenths of 1 percent found jobs under the Trade Adjustment Program.

In both cases, less than one-tenth of 1 percent of all those people certified received job search assistance or relocation assistance in terms of the concepts of labor mobility.

So, I can tell you, quite frankly, I think the Congress might rethink that whole area, because I think what you are doing is raising false expectations for workers, and you might be better off not raising those expectations because it simply adds to the bitterness and to the frustration.

Let me simply conclude. Obviously, I don't have to reiterate, and talk about the Textile Enforcement Act, about the importance that we need to get some real handle on the import situation to solve our trade problem, to provide domestic jobs.

And I, quite frankly, have to say that I certainly hope that the Ways and Means Committee does not get so immersed in tax reform that there is no time to deal with trade issues, with dealing with the Trade Adjustment Assistance, all the other consequences to our domestic economy, because I assure you, if there is too much delay, you don't have to worry about tax reform. There will just simply be several million less taxpayers.

Thank you very much.

Mr. Pease. Thank you, Mr. Gundersheim.

[Subsequently, the following prepared statement was received:]

STATEMENT OF AMALGAMATED CLOTHING & TEXTILE WORKERS UNION

Chairman Pease and members of the Subcommittee:

My name is Arthur Gundersheim and I am Assistant to the President and Director of International Trade Affairs of the Amalgamated Clothing & Textile Workers Union, AFL-CIO. Our union has a membership of approximately 360,000 workers who produce various items of Men's and Boy's clothing and textile mill products.

I think you know something about our workers. They are not numbers, they are people with pride, pride in their craft and pride in their industry. They don't have the kinds of skills that allow them to get other jobs easily. They tend to wind up in lower paying service sector jobs if displaced, that is if they can find any jobs at all. And I must say there were 200,000 fewer workers in the textile and apparel industry then there were just four years ago.

Alternative job opportunities are just not easy to come by. Our workers in the textile and apparel industries have been on the firing line of international trade for decades and have borne the brunt, probably more than most other industries, of the tremendous growth in international trade that the world has experienced since World War II. This has occurred dispite the existence for more than two decades of multi-lateral efforts to alleviate the hardships caused by growing imports of textiles and apparel. Conditions in this industry have never been worse and the prospects of its workers and many of our members have never been bleaker.

While they are appealing to all of Congress to help solve the terrible situation through passage of the Textile and Apparel Trade Enforcement Act, I feel they need some continuing temporary assistance for those unable or unfortunate enough not to be able to benefit until that legislation is passed. They need some means to tied them over, to fulfill the commitment that was given in 1974 when, as a trade-off for greater expansion of international trade and freer trade to encourage multi-national negotiations.

workers were promised income supplements so as they would not have to bear the brunt of the adjustment process. That is the reason, obviously, that we are having this hearing today. This commitment has clearly been broken initially by the Reagan Administration and to a modified extent by Congress.

The true concerns of the labor movement is jobs and the bridge by which labor mobility takes place within our open economy. First and foremost, obviously, we want to preserve the industrial base of the United States, which many of us testifing here today probably fear is truly threatened. Secondly, we are concerned that the humane and fair treatment of workers who are suddenly unemployed particularly in areas such as here in Ohio where alternative jobs do not exist. Trade Adjustment Assistance is not a trade-off or a substitute for import restraints but is an attempt to help those people who truly carry the full cost by which other members of society benefit.

The Labor Department in its recently concluded study by the Bureau of Labor Statistics clearly shows that the tremendous rise in imports over the last four or five years has been very unfairly carried by a significant portion of our population. Costs, if shared society-wide can be reasonably dealt with, and people have a sense that they are not being singled out for special treatment. But when the effects of imports hits so devastatingly among a concentrated group in our economy it is encombant upon Congress to do something to mitigate that burden. Economists now recognize that management and capital is clearly much more mobile and able to cope with rapidly changing economic forces than previously thought. But the labor force has been found to be much less mobile and much less adaptable to changes, and therefore, the pain and suffering has been magnified. All of this is occurring at a time when budget deficits are impelling Congress to cut back on all of the income maintenance and human welfare programs that have been established for such a long period of time.

I must say that unless this matter is forth rightly addressed our members will lose even greater faith in their government as a force willing and able to address collective problems that they as an individual are completely unable to address. There is an building undercurrent of bitterness and hostility that could not only undermine support for general domestic policies in our economic life, but more importantly, undermine our basic foreign policy objectives and have an outgrowth of hatred towards others that no one would like to see.

That is why our union is supporting Congressman Pease's bill to continue Trade Adjustment Assistance even though we have to ask that some particular changes be made in order to make the program more meaningful. Most of the following suggestions come out of our direct experience and we are willing to offer members of the Committee specific examples to illustrate each of the following principles.

First, something must be done about requiring the Labor Department to conform to the law wherein decisions must be made within a sixty day time period. That has been part of the law since its inception but I cannot think of a single case where it has been adhered to. Whether it is the question of more personnel or a greater budget for the Labor Department-which, parenthetically I must say has been cut back far more than any other department-there must be some emphasis and some mandate given that the sixty day requirement be met.

Secondly, something must be done about the discretion in the Labor Department in making their decisions. During the Carter Administration I must say at least 80% of our petitions were acted favorably upon and the members certified for adjustment assistance. Since the new administration came to power in 1981, there has been a complete reversal and I would estimate that 80% of our decisions today are negative and denials of assistance. This is occurred during precisly that period when imports have skyrocketed and domestic production has continually turned down. We certainly need something in the legislative history to reduce the Labor Department's discretion such that members have an assurance that when they apply they know what the standards will be and that their expectations for benefits can be truly realized.

Thirdly, obviously, the inability of supplier industries to get certified when the primary product is the one decimated by imports must be addressed at some point. Congress has refused to deal with this issue for a number of years and we think it blatantly unfair to continue this practice. For example, right here in this area our union has two plants in Norwalk which provide textile products for the automobile industry. Under the currently existing law they would never be able to be certified for trade adjustment assistance due to the importation of cars.

What about the most valued part of what is supposed to be the vital function of the trade adjustment program. That is the retraining and relocation assistance program. Just let me give you a few figures. In the apparel industry since the inception of the program in April, 1975, carrying all the way through March, 1985, there have been 158,424 people certified for trade adjustment assistance. Of that total, only 2,756 or 1.7% have entered any kind of training program. Of this group only 1,429 or less than 1% have completed the training and out of this latter group only 661 or ½ of 1% have actually found jobs as a consequence of their training program. In addition only 1/10 of 1% of the certified workers got any assistance for job search or relocation of their living quarters.

This frankly is an absolute disgrace. The figures in the textile industry are similar although, obviously, not as many workers have been certified because again it is mainly a supplier industry. Out of the 26,401 workers who were certified for assistance over the last decade, 784 or 3% went into training, 341 completed that training which is 1.3% of the total and 51 found jobs or 2/10 of 1% of those certified. Again only 1/10 of 1% got job search or relocation assistance.

Unless you coordinate trade adjustment assistance with a meaningful retraining program and unless you are willing to mandate a better system and formal restructing of training at the State and Local levels, we see that whole concept as raising false expectations for workers. We will probably be better off if this whole area were not in the program altogether. It is a sham. It is maybe in this area where the concept of trust funds can play a meaningful role.

But ultimately the real issue is jobs to which we can provide those who become displaced as a consequence of trade. We must truly solve our trade problems in a hurry because otherwise the long term damage to our economy will become permanently ingrained. We are concerned that the Ways and Means Committee will get so immersed in tax reform that the trade issue will not be meaningfully handled and there will be reform of a different kind - there will simply be several million less tax payers.

We need to have Congress address the import problem in textiles and apparel by passing the Textile And Apparel Trade Enforcement Act to prevent the continued erosion of jobs in our industry. At the same time, we need a continuation and improvement in the trade adjustment program. Otherwise, we see our domestic economy so completely undermined that Congress will be forced to deal with a truly major economic crisis. We appeal to you to act before the damage can no longer be undone.

Thank you very much and I would be pleased to respond to any questions of the Committee.

Mr. **Pease**. We will now hear from Joseph Sebastian, international representative of the Oil, Chemical, and Atomic Workers.

Mr. Sebastian.

STATEMENT OF JOSEPH SEBASTIAN, INTERNATIONAL REPRESENTATIVE, OIL, CHEMICAL & ATOMIC WORKERS INTERNATIONAL UNION

Mr. **Sebastian**. Thank you, Mr. Chairman.

As you have noted, I am an international rep for the Oil, Chemical and Atomic Workers Union.

Our union appreciates you holding the hearings on the administration's plan to end the Trade Assistance Program, and the opportunity to go on record supporting the continuation and strengthening of the program.

Congressmen, despite the economic indicators that the administration uses for both its economic programs are a success, the situation is not that rosy for millions of unemployed Americans whose jobs virtually have disappeared forever. I am not talking about unemployed related to a cyclical downturn in a particular industry or a temporary recession for the economy as a whole, but of jobs that are gone for good. In some instances, those jobs have disappeared because of the innovations in productivity, new technology and other forces at work within the U.S. economy; however, a significant and growing portion of those jobs are being lost due to policy decisions made in Washington, DC, that appear to have been made without concern for what happens to those of us who live outside the Capital Beltway.

I am referring specifically to a trade policy based on free trade ideology and foreign policy concerns that appear to ignore those of us affected by those policy decisions.

Mr. Chairman, this committee does not need to be reminded of the origins of the Trade Adjustment Assistance Program, and the politics and promises that prompted its creation. However, for the record, I want to make it clear that we believe a trust has been violated by this administration's efforts, first, to reduce the program to nearly nothing, and, now, to end it entirely.

When the Congress decided in 1962 to liberalize U.S. trade relations, they anticipated the adverse effects that action would have on American workers and industries, and attempted to soften the impact by creating an assistance program geared to specific circumstances. We were promised that workers losing their jobs as a result of imports would be aided in their readjustment with income maintenance, training, job search, and relocation assistance.

The initial legislation did not work well for the displaced worker because of unduly strict eligibility criteria. Congress remedied this problem somewhat when it further liberalized our trade laws in 1974. Imports no longer had to be the "most important" cause of unemployment, but merely "an important" cause. Under the 1974 amendment, workers began to realize the intended benefits of the program. In 1981, however, the current administration began an assault on the programs and benefit levels, and durations were cut. Now, the program has been targeted for extinction by budget-cutters in Washington who found it too costly, despite the fact that only 30,000 workers received benefits last year. I wish they could appreciate the cost involved when a 50-year-old oil refinery worker, from this region, with five kids, and a mortgage, and car payment, and a high school education, finds his or her job lost to imports. It is a frightening prospect, given the fact that a recent Labor Department study found that in nearby Toledo there were 138 industrial job seekers for every available job.

The administration proposes to end the program entirely, citing costs and an argument that all unemployed workers should be treated alike regardless of the cause of their plight. The OCAW agrees that all unemployed workers should receive an adequate level of support, and we would support a legislation to that effect. However, until that is the case, we believe that Americans who lose their jobs as a result of a deliberate public policy are owed something in return. Rather than discussing to end TAA, we should be considering legislation that would increase State unemployment compensation benefits to a level that would enable families to make ends meet. We should be strengthening our job training programs so that the Federal Government does not become an employment service for the fast foods and service industries. We should enact plain-clothing legislation that would cushion the impact of permanent economic dislocation, and legislation to provide health care and mortgage assistance for the unemployed. Finally, we need a permanent program to provide for long-range unemployment rather than hurriedly enacting legislation every time the unemployment situation becomes so critical that Congress cannot refuse to act.

The Job Training and Partnership Act, which is about all the administration has left the unemployment, seems geared to providing cheap labor to service industries. Imagine a skilled industrial worker completing a JTPA course only to work in a fast-food restaurant for a minimum wage. The average new starting wage under that program is, as you have heard, $4.95. We had it at $5, and I will take his figures. The JTPA does not come close to addressing problems of the permanently dislocated and probably never will. Rather than get into a critique of that program, let it suffice to say that it is not a substitute for the TAA program as originally intended.

Let us take a look at what has happened in recent years to industries in which OCAW members are employed.

The closures of petroleum refineries has increased sharply the last 5 years for several reasons: a decrease in demand, increased trading on the spot market, difficulty in getting U.S. products to market because of transportation problems, product prices that are higher than contract crude prices, new refinery construction in the Mid-East, and increasing product imports from all over the world. The results of these trends for the U.S. refining industry has been a decline from 349 refineries in 1977 to 191 in 1985. It dropped from a 1977 refinery capacity of 18.6 million barrels in 1984 from 1.2 million barrels in 1981. Overall product imports are increasing, and the product mix is expanding.

Since 1981, gasoline imports have increased 450 percent, and distilled fuel imports have increased 140 percent.

The import mix now is shifting toward the higher end of the scale to gasoline, motor fuel, blending stocks, and middle distillations.

Significantly, Mr. Chairman, much of the recent increase in product import is coming from nonmarket economies that can sell their product below cost in the U.S. market. In 6 of the last 8 quarters, beginning in 1983, a barrel of refined product has sold in the U.S. market for less than a barrel of crude oil used to be made. This has resulted in negative profit margins for virtually all U.S. refineries. The cause of this commercial anomaly is not superior technology abroad, but government subsidy of the crude going to their refineries. The U.S. industry cannot compete with these unfairly subsidized imports.

The situation is also bad in the agricultural product industry. Ammonia is the world's most efficient nitrogen fertilizer; one that American farmers have come to depend upon for high yields. Our members produce this and other agricultural products. Of our major foreign competitors in this production, 70 percent are government controlled. These subsidy imports have cost thousands of American workers their jobs.

The domestic uranium industry also has suffered severely as a result of such subsidized imports. In recent months, approximately 17,000 men and women, over three-quarters of an entire industry work force, have been laid off. At last count, 17 out of 24 mills were completely shut down, on a standby, and the remaining seven were open at a reduced capacity. We expect to see further layoffs in the near future.

Mr. PEASE. Mr. Sebastian.

Mr. SEBASTIAN. Yes, sir.

Mr. PEASE. Can I interrupt you for a minute?

Would you mind if we—you are in the last paragraph—put the rest of your testimony into the record?

Mr. SEBASTIAN. Not at all, sir.

Mr. PEASE. I would appreciate that very much, because we have a time constraint. At least one of the persons on our next panel has got to be out of here fairly soon. So, if you do not mind, we will make it a part of the record.

Mr. SEBASTIAN. Just put it in the record, sure.

Mr. PEASE. Thank you very much.

[The remainder of the prepared statement follows:]

STATEMENT OF THE OIL CHEMICAL & ATOMIC WORKERS INTERNATIONAL UNION

[Continuation.]

Mr. Chairman, let me give you a snapshot picture of what is happening to our union in the major industries in which our members are employed. In 1981 our membership was 156,000; today it is 110,000. Of our membership loss, we regard 22,159 jobs as permanently lost. Since January, 1980, we have experienced 203 complete shutdowns of facilities where our members work. One hundred sixty-two of those are total, complete shutdowns. The job loss associated with these closures is approximately 22,000; 9,000 in the energy industry, 9,000 in chemicals and 4,000 in miscellaneous products. These numbers do not include the layoffs due to a lack of product demand or temporary closures. The DOL has estimated a permanent loss of 20,000 petroleum refining production jobs since 1980. Of the 127 refineries that have closed since 1981, 77 are closed permanently. While not all of the job losses in the refining and related industries can be attributed to imports, imports are significant and growing source of refinery closing. I have attached to this testimony a listing of plant closings affecting our membership since January 1980. Of these closings we have identified 6, affecting 679 workers, as clearly caused by imports. In many others we suspect imports are a contributing factor.

As you can see, Mr. Chairman, our members are being impacted signficantly by imports. Yet, our membership's experience with the TAA program leaves much to be desired. According to the Department of Labor, between April 1, 1975, and May 31, 1985, out of 54 OCAW petitions for assistance, only 16 have been certified in whole or in part (4 partials). Of the approximately 4,791 OCAW members involved with the petitions, only 1,461 received cash assistance and 434 received training. In Ohio, only 2 locals have won benefits for 222 employees. No OCAW petition from any other state handled from the midwestern TAA office in Chicago has been certified.

Mr. Chairman, you have chosen to hold these hearings in the Midwest, the worst hit region of the country as it relates to import-related unemployment. Workers and employers in most of the basic industries in this region are suffering. I would like for you to review the following data to give you an idea of how bad things are for my union and others.

The April 1985 total national unemployment rate was 7.3 percent. In real terms, 8,426,000 people were out of work. These figures do not include 1.3 million workers too discouraged to seek work or 5.7 million working part-time because they cannot find fulltime jobs. On May 11, only 2,565,000 of these, or 2.8 percent, were receiving unemployment benefits. In the midwestern states that are the subject of these hearings, the situation is worse. Note the following unadjusted total rates (TUR) for March 1985 (seasonally adjusted rates are unavailable for all states) compared to the insured rate (IUR) for the week ending May 11. The insured rate measures only those who are eligible for unemployment benefits.

[In percent]

	TUR	IUR
Michigan	10.4	2.9
Ohio	9.7	2.7
Illinois	8.1	3.3
Indiana	9.7	2.2
Wisconsin	7.7	3.1
Minnesota	6.5	2.2

As these figures indicate, very few of the unemployed actually receive unemployment compensation benefits. The reasons for this situation vary but range from the exhaustion of benefits due to prolonged unemployed to strict eligibility criteria adopted by the states due to funding problems.

For those who do qualify the benefit duration is brief and the benefit levels low. The extended benefit program (EB) which adds 13 weeks of federal-state aid to the 26 weeks provided by the states is tied to the artificially low insured unemployment rate making it a poor substitute for a long term unemployment program. Only Puerto Rico, Idaho and Alaska now are providing those benefits. The Federal Supplemental Benefit program which provided 8 to 14 additional weeks of benefits was eliminated at the urging of the Administration on March 31, 1985.

The benefit level also is absurdly low. The following chart, based on DOL statistics, shows how pitifully low benefits are in terms of wage replacement. Defenders of these meager benefits say the low benefits level is designed to discourage "malingering." May I say that the benefit levels hardly support a casual lifestyle.

State	Average weekly benefit (September 1984)	Average weekly wage	Wage replacement ratio, percent
Michigan	$145.61	$395.13	36
Ohio	139.54	354.80	39
Illinois	134.78	370.77	36
Indiana	93.37	341.71	27
Wisconsin	134.68	321.05	42
Minnesota	145.12	344.78	42

None of these states, all with severe unemployment problems, has unemployment benefits that can be labeled as generous.

As I appear here before you today in defense of what is left of the TAA program, I must go on record with regard to the Administration's latest unemployment compensation proposal. The two programs have been merged to the point that they must be considered in tandem.

The Administration's latest unemployment compensation proposal is nothing less than shocking. President Reagan has proposed, through the tax proposal recently submitted to Congress, to tax all unemployment compensation benefits. Currently only the benefits of those recipients whose income fluctuates around the official poverty level ($12,000/individual or $18,000/couples) are taxed. Mr. Chairman, unemployment compensation benefits are pitifully low as it is without reducing them further with a tax.

The Administration is attempting to justify these taxes by implying the tax-free status of unemployment benefits is unfair because the benefits are not available to all taxpayers. Let me assure the Committee that most of the recipients of these benefits gladly would trade places with those fortunate enough not to need them. The President also has argued that the tax-free status of these benefits causes significant losses in revenue and could cause an excessive demand for the benefits. May I say to this that I doubt that the tax-free status of unemployment compensation has been so lucractive as to make unemployment attractive. Finally, we don't have to look far to find other sources of revenue more appropriate than those out of work.

Mr. Chairman and members of the Committee, the OCAW believes that Congress needs to address the overall question of imports through trade laws that do not put us at the mercy of our trade partners, through a comprehensive national industrial policy that preserves our basic manufacturing base, through plant closing legislation to administer to Americans who lose their jobs when their employer disappears, and through a sound energy policy. However, these are complicated issues that cannot be debated here today. What we are saying is that until Congress can come to grips with these complex problems, we must preserve and strengthen what little protection we have for workers who suffer permanent displacement through conscious public policy decisions. The TAA program, meager as it is, constitutes about the only program we have. We urge you to both save and strengthen it.

PERMANENT PLANT CLOSINGS
JANUARY 1980 - APRIL 1985
DOES NOT INCLUDE LAYOFFS DUE TO SEASONAL
OR TEMPORARY MARKET CONDITIONS

LOCAL	COMPANY	LOCATION	DATE SHUTDOWN	PARTIAL OR COMPLETE	WEEKS OF NOTICE	JOBS LOST AT CLOSE AND 2 YEARS PRIOR	PRODUCT LINE	PRODUCT CATEGORY	RUNAWAY PLANT
1-5	FILTER PROD.	RICHMOND, CA	10/81	C	68	9	POOL FILTERS	MISC.	NO
1-5	J R SIMPLOT	LATHROP, CA	1/83	P	9	170	FERTILIZER	CHEMICAL	NO
1-19	CONTINENTAL CARBON	BAKERSFIELD, CA	9/81	C	4	27	CARBON BLACK	CHEMICAL	PONCA CITY, OK*
1-19	TEXACO CORP. **	BAKERSFIELD, CA	11/83	C	9	200	OIL REFINING	ENERGY	N/A
1-19	WEST COAST OIL	BAKERSFIELD, CA	6/81	C	0	37	OIL REFINING	ENERGY	NO
1-128	SHELL CHEMICAL	DOMINGUEZ, CA	5/83	P	9	27	PETROCHEMICALS	CHEMICAL	DEER PK,TX-WOODRIVR,IL*
1-128	GOLDEN EAGLE REF.	WILMINGTON, CA	3/85	C	N/A	19	OIL REFINING	ENERGY	NO
1-128	NATIONAL SUPPLY CO.	TORRANCE, CA	2/85	C	N/A	180	OIL & GAS DRILL MCHNS	MISC.	NO
1-547	[illegible] CORP CO	EL SEGUNDO, CA	10/80	C	8	80	PLASTICS	CHEMICAL	NO
1-547	WILSHIRE PRODUCTS	COMPTON, CA	10/80	C	8	26	PLASTICS	CHEMICAL	NO
1-591	[illegible] MFG.	OAK HARBOR, WA	12/84	C	N/A	92	PRINTED CIRCUIT MFG.	MISC.	NO
1-592	P&M COAL (GULF OIL)	FORT LEWIS, WA	11/81	C	17	105	R&D COAL REF.	ENERGY	WEST VIRGINIA
# CLOSED 12						972			
2-124	GREAT LAKES CARBON	CASPER, WY	4/83	C	9	15	PETRO. COKE	CHEMICAL	NO
2-230	TEXACO	CASPER, WY	8/82	C	26	145	OIL REFINING	ENERGY	AMARILLO & OTHER
2-371	HUSKY OIL	CODY, WY	11/82	C	28	79	OIL REFINING	ENERGY	N/A
2-470	UNION TANK CAR	LAUREL, MT	7/83	P	N/A	17	TANK CAR REPAIR	MISC.	N/A
2-477	[illegible] CHEMICAL	DENVER, CO	5/84	C	N/A	55	MULTIELEMENT URANIUM	CHEMICAL	NO
2-477	SHELL CHEMICAL	DENVER, CO	12/82	C	30	129	PESTICIDES	CHEMICAL	GULF COAST LOC.
2-632	RALSTON PURINA	POCATELLO, ID	11/84	C	N/A	10	ANIMAL FEED	MISC.	NO
2-652	GARY REFINING	FRUITA, CO	4/85	C	N/A	140	OIL REFINING	ENERGY	NO
2-708	QUIVIRA	GRANTS, NM	3/85	C	N/A	271	URANIUM MINE	ENERGY	NO
2-708	RESERVE OIL & MIN.	GRANTS, NM	5/80	C	1	24	URANIUM ORE	ENERGY	NO
2-844	COTTER CORP.	CANON CITY, CO	1/85	C	N/A	55	URANIUM MILL	ENERGY	NO
# CLOSED 11						986			

SERIAL	COMPANY	LOCATION	DATE CLOSING	PARTIAL OR COMPLETE	WEEKS OF NOTICE	JOBS LOST AT CLOSE AND 2 YEARS PRIOR	PRODUCT LINE	PRODUCT CATEGORY	RUNAWAY PLANT
3-94	[illegible] PAINT	MEMPHIS, TN	8/83	C	13	10	PAINTS	CHEMICAL	NO
3-110	[illegible] WOOD PRESERVING	EAST POINT, GA	12/84	C	N/A	22	CREOSOTING OF TIES	MISC.	NO
3-205	INT'L. MINERALS & CHEM.	[illegible], TN	6/84	C	N/A	15	FERTILIZER	CHEMICAL	NO
3-180	[illegible]	HUNTINGTON, WV	4/81	P	52	175	DYES & PIGMENTS	CHEMICAL	HOLLAND, MI
3-288	UNION CARBIDE	OAK RIDGE, TN	9/81	P	N/A	400	URAN ISOT 235	ENERGY	NO
3-300	[illegible] PROD.	MONTGOMERY, AL	8/82	C	8	10	CHEM. TRT SEEDS	CHEMICAL	NO
3-300	[illegible] CO	MONTGOMERY, AL	6/80	C	0	10	FERTILIZER	CHEMICAL	NO
3-418	PENNZOIL	FALLING ROCK, W.VA	5/83	C	30	104	PETRO. REFINING	ENERGY	NO
3-523	ALLIED CHEMICAL	S. ASHLAND, KY	10/81	P	N/A	275	COKE	CHEMICAL	NO
3-543	ALLIED MILLS	PORTSMOUTH, VA	3/81	C	20	21	ANIMAL FEED	MISC.	NO
3-543	GULF OIL	N. NORFOLK, VA	11/83	C	26	19	OIL PROD TERM	ENERGY	NO
3-550	UNION CARBIDE	PADUCAH, KY	1/82	P	N/A	400	URAN ISOT 235	ENERGY	NO
3-552	IRONTON COKE	IRONTON, OH	4/82	C	0	456	COKE	CHEMICAL	NO
3-611	[illegible] CHEMICAL	CHESAPEAKE, VA	7/81	C	11	200	FERTILIZER	CHEMICAL	NO
3-960	SANCHEZ (GEN METAL)	[illegible] & ENNIS,TX	7/82	C	N/A	139	AUTO PTS.-STOVES	MISC.	NO
# GROUPS 15						2,254			
6-23	TEXACO	PORT ARTHUR, TX	02/83	P	8	1,340	OIL REF-LUBE OILS	ENERGY	VARIOUS*
6-153	[illegible] INDUSTRIES	CORPUS CHRISTI, TX	11/82	C	9	20	CHROME CHEM	CHEMICAL	NO
6-207	CRYSTAL OIL CO	LONGVIEW, TX	3/82	C	8	64	OIL REFINING	ENERGY	NO
6-208	AMERICAN CYANAMID	FORT WORTH, TX	6/83	C	16	120	CATALYSTS	CHEMICAL	N/A
6-208	[illegible] INC	FORT WORTH, TX	10/80	C	6	36	HOUSEHOLD CLEANERS	CHEMICAL	NO
6-227	ARCO THERMOPLASTICS	HOUSTON, TX	3/83	C	4	48	PLASTICS COMP.	CHEMICAL	HOUSTON, TX
6-227	TRIANGLE PWC	HOUSTON, TX	10/82	C	13	44	PLAS. PIPE COATING	CHEMICAL	N/A
6-228	TEXACO	PORT NECHES, TX	11/82	P.	8	81	OIL REF(ASPHALT)	ENERGY	PORT ARTHUR, TX*
6-243	[illegible] MACHINE	BEAUMONT, TX	4/84	C	N/A	80	MACHINE SHOP	MISC.	NO
6-243	[illegible] INDUSTRIES	BEAUMONT, TX	80-83	P	4	180	TETRAETHYL LEAD	CHEMICAL	NO
6-243	[illegible] CO	SILSBEE, TX	12/82	C	N/A	33	OIL REFINING	ENERGY	NO
6-245	BAYOU STATE OIL	HOSSTON, LA	2/82	P	4	27	OIL REFINING	ENERGY	NO
6-245	BAYOU STATE OIL	HOSSTON, LA	2/82	C	4	3	OIL PROD TERM	ENERGY	NO
6-343	CPC INC	CORPUS CHRISTI, TX	2/80	C	11	230	CORN MILLING	MISC.	STOCKTON, CA
6-367	PASADENA CHEM(NCHI)	PASADENA, TX	12/80	P	3	46	FERTILIZER	CHEMICAL	NO
6-447	CHARTER MARKETING	HARVEY, LA	5/82	C	16	17	TBA WAREHOUSE	MISC.	NO
6-447	HUNT WESSON	HARVEY, LA	12/80	C	18	6	VEGETABLE OILS	MISC.	NO
6-449	WEST GULF MARINE	GALVESTON, TX	12/81	C	8	50	BARGE BUILDING	MISC.	NO
6-463	PHILLIPS CHEMICAL	BORGER, TX	9/84	C	N/A	203	POLYMERS	CHEMICAL	NO
6-471	[illegible] GAS	MT. PLEASANT, TX	10/84	C	N/A	133	OIL REFINERY	ENERGY	NO
6-478	FERTILIZER CO,TX	[illegible], TX	3/81	C	0	31	FERTILIZER	CHEMICAL	PASADENA, TX
6-500	CITIES SERVICE P.L.	LAKE CHARLES, LA	1/84	C	9	20	TANK CAR REPAIR	ENERGY	NO

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SERIAL	COMPANY	LOCATION	DATE SHUTDOWN	PARTIAL OR COMPLETE	WEEKS OF NOTICE	JOBS LOST AT CLOSING AND IN TRANSITION	PRODUCT LINE	PRODUCT CATEGORY	RUNAWAY PLANT
6-500	CITIES SERVICE	LAKE CHARLES, LA	3/83	C	18	70	[illegible]	CHEMICAL	SARNIA, ONTARIO
6-6[illegible]	GULF STATES, **	BATON ROUGE, LA	7/82	P	0	40	[illegible]	CHEMICAL	NO
6-7[illegible]	PHILLIPS CHEMICAL	CACTUS, TX	11/82	C	13	40	FERTILIZER	CHEMICAL	N/A
6-9[illegible]	[illegible]	ORANGE WEST, TX	10/82	P	44	95	URANIUM OXIDE	ENERGY	N/A
6-1[illegible]	ETHYL CORP.	PASADENA, TX	7/81	P	9	210	TETRAETHYL LEAD	CHEMICAL	NO
# GROUPS 27						3,255			
5-107	[illegible] INC.	MINERAL POINT, MO	8/82	C	4	17	BARITE MILL	CHEMICAL	NO
5-1[illegible]	KV PHARMACEUTICAL	ST. LOUIS, MO	12/80	C	0	30	PHARMACEUTICALS	CHEMICAL	NO
5-217	[illegible] CORP.	CLAREMORE, OK	6/82	C	13	150	FARM EQUIPMENT	MISC.	[illegible]
5-217	[illegible] PRODUCTS	TULSA, OK	3/83	C	2	25	PAINTS	CHEMICAL	NO
5-217	TEXACO	TULSA, OK	8/82	C	26	286	OIL REFINING	ENERGY	PORT ARTHUR ETC*
5-220	CHAMPLIN PETROLEUM	ENID, OK	2/84	C	9	300	OIL REFINING	ENERGY	NO
5-241	[illegible] REF.	EL DORADO, KS	3/85	C	N/A	120	OIL REFINING	ENERGY	NO
5-24[illegible]	MOBIL OIL	AUGUSTA, KS	9/83	C	26	200	OIL REFINING	ENERGY	NO
5-28[illegible]	ALLIED MATERIALS	STROUD, OK	12/84	C	N/A	88	OIL REFINING	ENERGY	NO
5-28[illegible]	HUDSON OIL**	CUSHING, OK	12/82	C	0	140	OIL REFINING	ENERGY	NO
5-348	MOBIL PIPE LINE	MID CONTINENT USA	9/83	C	26	60	OIL PIPELINE	ENERGY	NO
5-348	TEXACO-CITIES SERV.	MIDWEST USA	8/82	P	N/A	45	CRUDE OIL P.L.	ENERGY	NO
5-379	OLIN CORP.	N. LITTLE ROCK, AR	5/80	C	18	21	FERTILIZER WHSE.	CHEMICAL	NO
5-379	OLIN CORP.	N. LITTLE ROCK, AR	1/82	C	2	16	SULFURIC ACID	CHEMICAL	NO
5-379	REICHHOLD CHEMICAL	MALVERN, AR	[illegible]/80	C	3	24	RESINS	CHEMICAL	NO
5-385	AMERICAN PRITCHARD P.L.	CYRIL, OK	9/84	C	N/A	9	CRUDE OIL PIPELINE	ENERGY	NO
5-385	OKLAHOMA REF.	CYRIL, OK	11/84	C	N/A	73	OIL REFINING	ENERGY	NO
5-498	CRA ([illegible])	OKMULGEE, OK	7/82	C	0	74	OIL REFINING	ENERGY	NO
5-5[illegible]	EDWARD H. [illegible]	ST. LOUIS, MO	8/84	C	N/A	16	PLASTIC NOVELTIES	CHEMICAL	NO
5-572	MID AMERICA REF.	CHANUTE, KS	9/8[illegible]	C	0	30	OIL REFINING	ENERGY	NO
5-604	PHILLIPS PETROLEUM	KANSAS CITY, KS	9/82	C	26	475	OIL REFINING	ENERGY	[illegible], TX., ETC.
5-617	CPC INT'L.	N. KANSAS CITY, MO	10/83	P	22	215	CORN PRODUCTS	MISC.	ARGO, IL
5-6[illegible]	AMOCO OIL	SUGAR CREEK, MO	9/82	C	26	340	OIL REFINING	ENERGY	[illegible], TX, ETC*
5-7[illegible]	TEXACO	DUNCAN, OK	11/83	C	26	236	OIL REFINING	ENERGY	NO
5-[illegible]	CRA INC.	PHILLIPSBURG, KS	10/82	C	26	108	OIL REFINING	ENERGY	NO
5-8[illegible]	ALLIED CHEMICAL	HELENA, AR	[illegible]/82	P	1	80	FERTILIZER	CHEMICAL	NO
5-8[illegible]	[illegible]	HELENA, AR	[illegible]/82	C	4	55	[illegible]	MISC.	NO
5-8[illegible]	CONOCO TRANSPORTATION	PONCA CITY, OK	3/85	C	N/A	12	RAIL CAR REPAIR	MISC.	NO
# GROUPS 28						1,219			

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LOCAL	COMPANY	LOCATION	DATE SHUTDOWN	PARTIAL OR COMPLETE	WEEKS OF NOTICE	JOBS LOST AT CLOSE AND 2 YEARS PRIOR	PRODUCT LINE	PRODUCT CATEGORY	RUNAWAY PLANT
6-18	[illegible]	BUTLER, WI	10/80	C	7	39	MACHINERY	MISC.	NO
6-111	UNDERGROUND SERV.BER	BURLINGTON, WI	3/84	C	9	22	TRENCH CONTRACTOR	MISC.	NO
6-409	[illegible]	ST. PAUL, MN	3/83	C	18	100	TOILETRIES	CHEMICAL	SANFORD, NC
6-503	FARMLAND INDUSTRIES	FORT DODGE, IA	9/83	P	0	24	AMMONIA	CHEMICAL	KANSAS, OK. PLANTS
6-503	LAND O' LAKES	FORT DODGE, IA	12/83	C	9	32	SOY BEAN MILL	MISC.	NO
6-578	GORDY'S SUPER VALUE	AUSTIN, MN	8/80	C	0	38	GROCERY STORE	MISC.	NO
6-659	CONOCO	WRENSHALL, MN	5/81	C	9	96	OIL REFINING	ENERGY	NO
6-717	GILFILLAN FORD**	HASTINGS, MN	7/82	C	0	10	AUTO DEALERSHIP	MISC.	NO
# CLSRS. 8						361			
7-103	MEADOW GOLD DAIRY	DAYTON, OH	7/82	C	1	31	DAIRY OPERATION	MISC.	WESTERVILLE, OH
7-140	AGA GAS	CLEVELAND, OH	9/83	P	13	9	INDUSTRIAL GASES	CHEMICAL	VARIOUS
7-148	ROYAL GENERAL	CLEVELAND, OH	12/80	C	2	10	PAINT SHOP	CHEMICAL	NO
7-155	R.P. SCHERER	DETROIT, MI	4/81	C	104	350	PHARMA. CAPSULES	CHEMICAL	CLEARWATER, FL
7-176	PARKE DAVIS	DETROIT, MI	7/82	C	104	700	PHARMACEUTICALS	CHEMICAL	PENNA & P.R.
7-210	AGA GAS	HOMEWOOD, IL	2/84	C	14	2	INDUSTRIAL GASES	CHEMICAL	NO
7-210	HARSHAW CHEMICAL	CHICAGO, IL	5/82	C	0	30	PAINTS	CHEMICAL	NO
7-210	ENERGY COOPERATIVE	E. CHICAGO IND.	3/82	C	9	420	OIL REFINING	ENERGY	NO
7-210	ESTECH CHEMICAL	CALUMET CITY, IL	8/82	C	4	7	SULFURIC ACID	CHEMICAL	NO
7-210	UNION TANK CAR	WHITING, IN	8/80	C	52	158	TANK CAR REPAIR	MISC.	BATON ROUGE, LA*
7-210	UNITECH CHEMICAL	HAMMOND, IN	9/80	C	9	6	FATTY ACIDS	CHEMICAL	NO
7-210	YOUNG METAL PROD.	E. CHICAGO, IN	6/80	C	9	10	STEEL CULVERT	MISC.	NO
7-222	TEXACO	LOCKPORT, IL	10/81	C	28	493	OIL REFINING	ENERGY	LAWRENCEVILLE, IL*
7-226	VELSICOL CHEMICAL	ST. LOUIS, MO	6/80	C	104	250	PESTICIDES (PBB)	CHEMICAL	NO
7-336	LEVER BROS.	HAMMOND, IN	2/81	P	9	500	MARGARINE	MISC.	IL, OH, TX
7-336	SZABO FOOD SERVICES	HAMMOND, IN	9/83	C	4	14	CAFETERIA SERVICE	MISC.	NO
7-346	GULF OIL	TOLEDO, OH	8/81	C	26	169	OIL REFINING	ENERGY	NO
7-346	GULF OIL	TOLEDO, OH	11/82	C	26	6	OIL PROD. TERMINALS	ENERGY	NO
7-346	PHILLIPS CHEMICAL	TOLEDO, OH	4/81	C	9	40	CARBON BLACK	CHEMICAL	NO
7-346	USS CHEMICAL	SWANTON, OH	12/82	C	0	25	POLYSTYRENE RESINS	CHEMICAL	NEVILLE IS., PA
7-368	CERTAIN-TEED RAYMOND	LAWRENCEVILLE, IL	7/82	C	17	10	PVC PLASTIC PIPE	CHEMICAL	NO
7-389	ATLANTIC RICHFIELD	DEARBORN, MI	3/80	C	260	35	PETROLEUM PROD MKT	ENERGY	NO
7-389	GULF OIL	NOVI, MI	5/83	C	36	83	PETROLEUM PROD MKT	ENERGY	NO
7-395	STANDARD OIL OF OH	CLEVELAND, OH	12/81	C	9	45	ASPHALT REFINING	ENERGY	NO
7-420	ASHLAND OIL	FINDLAY, OH	5/81	P	9	21	OIL REFINING	ENERGY	CANTON, OH*
7-450	[illegible] PACKAGING	CANTON, OH	9/81	C	14	20	HOUSEHOLD CHEMS	CHEMICAL	NO
7-498	[illegible] CO.	CHICAGO, IL	9/82	C	26	160	FRICTION TAPE-ADHESI	CHEMICAL	N/A
7-507	H.B. FULLER	CHICAGO, IL	7/80	C	4	12	ADHESIVES	CHEMICAL	NO
7-507	WATERWAY TERMINALS	STICKNEY, IL	4/82	P	N/A	5	PETRO. PROD. TERMIN	ENERGY	NO
									NO

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LOCAL	COMPANY	LOCATION	DATE SHUTDOWN	COMPLETE OR PARTIAL	WEEKS OF NOTICE	JOBS LOST AT CLOSE AND # YEARS PRIOR	PRODUCT LINE	PRODUCT CATEGORY	RUNAWAY PLANT
7-540	GRATIOT (?) MED. FAC	ALMA, MI	1/82	C	20	37	NURSING HOME	MISC.	NO
7-540	PLASTIC FINISH INC.	ITHACA, MI	7/82	C	11	66	PLASTIC AUTO PARTS	CHEMICAL	UNION CITY, MI
7-540	WHITMAN INDUSTRIES	ITHACA, MI	7/82	C	4	44	[illegible]	MISC.	N/A
7-581	TROJAN POWDER- INC	WOLFLAKE, IL	12/81	C	4	130	DYNAMITE	CHEMICAL	NO
7-627	BASF-WYANDOTTE	WYANDOTTE, MI	5/80	P	4	767	INDUSTRIAL CHEMS.	CHEMICAL	GEISMAR LA*
7-630	CARBORUNDUM	LOGAN, OH	5/83	C	9	281	GRINDING WHEELS	MISC.	NO
7-631	ATLANTIC RICHFIELD	YOUNGSTOWN, OH	5/82	C	45	4	PETRO. PROD. TERMIN	ENERGY	NO
7-641	VELSICOL CHEMICAL	MARSHALL, IL	2/80	P	9	83	PESTICIDES	CHEMICAL	NO
7-662	CPC INTERNATIONAL	PEKIN, IL	10/81	P	52	278	CORN MILLING	MISC.	WINSTON/SALEM,NC
7-663	[illegible]	GRANITE CITY, IL	1/83	C	9	14	CARAMEL COLORING	MISC.	NO
7-765	HARRIS LABORATORIES	CHICAGO HTS., IL	1/80	C	26	48	ANIMAL GROWTH HORMON	CHEMICAL	DAYTON, OH
7-767	KOPPERS CO.	ORRVILLE, OH	2/80	P	9	45	RAILROAD TIES	MISC.	NO
7-776	AMOCO OIL CO.	WOOD RIVER, IL	10/81	P	30	300	OIL REFINING	ENERGY	NO
7-822	SEYMOUR RECYCLING	SEYMOUR, IN	2/80	P	0	10	CHEMICAL DUMP	CHEMICAL	NO
# GROUPS									
43						5,662			
8-1	TEXTRON	EDGEWATER, NJ	11/81	C	4	28	CASTOR OIL PRODUCTS	CHEMICAL	NO
8-2	CENTURY INKS	BELTSVILLE, MD	3/82	C	1	5	PRINTING INKS	CHEMICAL	NO
8-124	BOYLE MIDWAY	CRANFORD, NJ	12/83	C	14	242	HOUSEHOLD PRODUCTS	CHEMICAL	N/A
8-149	BRENT CHEMICAL	MT. VERNON, NY	10/84	C	N/A	10	[illegible] CONSULTANTS	CHEMICAL	NO
8-149	COMBUSTION EQUIP.	BRIDGEPORT, CT	12/80	P	9	61	GARBAGE-SOLID FUEL	ENERGY	NO
8-149	HELENA RUBINSTEIN	EAST HILLS, NY	7/81	C	52	300	COSMETICS	CHEMICAL	NO
8-149	[illegible] SPARK PLUG	EAST ORANGE, NJ	1/82	C	156	11	SPARK PLUGS	MISC.	NO
8-215	ARA SERVICES	TONAWANDA, NY	12/80	C	18	5	PLANT CAFETERIA	MISC.	NO
8-222	NATIONAL GYPSUM	AKRON, NY	12/80	C	4	29	WALLBOARD TAPE	MISC.	NO
8-240	TECHNICAL COATINGS	OAKMONT, PA	11/81	C	26	15	PAINTS	CHEMICAL	NO
8-280	MOBAY CHEMICAL	BAYONNE, NJ	12/84	C	N/A	70	DYESTUFFS	CHEMICAL	NO
8-247	NATIONAL GYPSUM	CLARENCE CENTER, NY	1/82	C	1	60	GYPSUM WALLBOARD	MISC.	ALBANY, NY
8-361	CROSS CANDLE (GULF)	LINDEN, NJ	9/80	C	N/A	30	CANDLES	MISC.	[illegible], PA
8-366	AMOCO OIL	PROVIDENCE, RI	1/84	P	N/A	10	PETRO. PROD. TERM	ENERGY	NO
8-366	COMMUNITY OIL	S. PORTLAND, ME	11/84	C	N/A	6	FUEL OIL TERMINAL	ENERGY	NO
8-366	DELAWARE VAL. PROP.	HAMPTON, CT	3/81	C	0	8	PROPANE DELIVERY	ENERGY	NO
8-372	A.P. DeLASBURG	PHOENIXVILLE, PA	7/83	C	9	106	GRINDING WHEELS	MISC.	SALEM, IL
8-397	AMOCO OIL	CARTERET, NJ	12/83	C	18	19	PETRO. PROD. WHSE	ENERGY	N/A

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LOCAL	COMPANY	LOCATION	DATE SHUTDOWN	COMPLETE OR PARTIAL	WEEKS OF NOTICE	JOBS LOST AT CLOSE AND 2 YEARS PRIOR	PRODUCT LINE	PRODUCT CATEGORY	RUNAWAY PLANT
8-397	[illegible]	FORDS, NJ	4/85	C	12	2	ORGANIC CHEMICALS	CHEMICAL	NO
8-398	ACME HARDESTY CO.	PHILADELPHIA, PA	80/84	C	N/A	125	ANIMAL OILS & CHEMS	CHEMICAL	NO
8-398	ALCO CHEMICAL	PHILADELPHIA, PA	3/80	C	N/A	12	SURFACTANTS	CHEMICAL	W.VA
8-398	BP OIL	PHILADELPHIA, PA	1/83	C	7	3	RECLAMATION SHOP	ENERGY	NO
8-398	CENTURY INKS	PENNSAUKEN, NJ	3/82	C	4	7	PRINTING INKS	CHEMICAL	ONTARIO, CANADA
8-398	STEPAN-ARMAK-KESSLER	PHILADELPHIA, PA	12/82	C	18	83	PLASTICIZERS	CHEMICAL	N/A
8-406	AIR PRODUCTS CO.	BOUND BROOK, NJ	4/82	C	4	32	PLASTICS & RESINS	CHEMICAL	NO
8-406	C.P. CRYSTAL	JERSEY CITY, NJ	5/81	C	9	5	CHEM WAREHOUSE	CHEMICAL	NO
8-406	LEHMAN BROS	JERSEY CITY, NJ	12/82	C	9	60	PAINTS	CHEMICAL	BOSTON, MA
8-406	ROYCE CHEMICAL	E. RUTHERFORD, NJ	2/82	C	4	115	ZINC OXIDE	CHEMICAL	PORTSMOUTH, VA
8-417	BEACON LABORATORIES	PATERSON, NJ	8/81	C	0	9	DYESTUFFS	CHEMICAL	NO
8-438	SQUIBB CO.	NEW BRUNSWICK, NJ	8/82	P	5	296	PENICILLIN	CHEMICAL	NO
8-455	PENNZOIL	ROUSEVILLE, PA	4/83	C	9	12	PRINTSHOP	ENERGY	LOS ANGELES, CA
8-472	GETTY OIL	NEW HAVEN, CT & PROVIDENCE, RI	1/85	C	N/A	50	OIL PROD. TERM	ENERGY	NO
8-472	TEXACO	NEW HAVEN, CT	12/82	P	9	8	PETRO.PROD.TERM.	ENERGY	NO
8-477	C.H. STUART	NEWARK, NY	6/82	C	4	350	CONTRACT PACKAGING	MISC.	NO
8-481	QUAKER STATE	EMLENTON, PA	10/80	P	14	96	OIL REFINING	ENERGY	NO
8-548	UNION CARBIDE	WASHINGTON, PA	3/83	C	104	53	INDUSTRIAL GASES	CHEMICAL	HATFIELD, PA*
8-562	PARTICLE SIZE TECH.	LAKEHURST, NJ	6/81	C	N/A	24	CHEMICAL GRINDING	CHEMICAL	NO
8-580	CORENCO CORP.	NESCOPECK, PA	5/81	C	0	15	RENDERING PLANT	MISC.	NO
8-586	SAPOLIN PAINTS	BROOKLYN, NY	7/80	P	N/A	100	PAINTS	CHEMICAL	NO
8-600	UNION CARBIDE	KITTANNING, PA	10/82	C	8	77	AIR SEPARATION	CHEMICAL	NO
8-616	ALLIED CHEMICAL	BUFFALO, NY	8/82	C	9	53	POLYETHYLENE RESINS	CHEMICAL	ORANGE, TX
8-619	STAUFFER CHEMICAL	SKANEATELES FALLS,NY	8/81	P	22	38	DETERGENT CHEMS	CHEMICAL	NO
8-623	TEXACO	BAYONNE, NJ	1 & 5/85	C	N/A	171	OIL PROD. TERMINAL	ENERGY	NO
8-638	TEXACO	WESTVILLE, NJ	2/83	P	7	140	PETRO. REFINING	ENERGY	NO
8-671	AMER. COLOR & CHEM.	LOCK HAVEN, PA	6/83	C	52	230	DYESTUFFS	CHEMICAL	
8-749	BAKER CHEMICAL	PHILLIPSBURG, NJ	7/81	P	6	256	CHEMICALS PKG	CHEMICAL	JACKSON,TN DANVL,KY
8-749	PURITY ZINC METALS	EASTON, PA	3/83	C	0	10	ZINC SMELTER	MISC.	NO
8-752	AMOCO CHEMICAL	NEW CASTLE, DE	4/81	C	14	175	POLYPROPYLENE	CHEMICAL	NO
8-775	NL INDUSTRIES	SEE 8-3660		C				CHEMICAL	
8-784	UNION CARBIDE	WAYNE, NJ	7/80	C	14	890	PLASTIC BAGS	CHEMICAL	E. HARTFORD, CT
8-787	BERKELEY CHEM. CORP	BERKELEY HTS, NJ	10/81	C	9	51	MISC. CHEMICALS	CHEMICAL	NO
8-791	BT CO.	[illegible] PA	7/83	C	96	6	CRUDE OIL TRANSPORT	ENERGY	NO

LOCAL	COMPANY	LOCATION	DATE SHUTDOWN	COMPLETE OR PARTIAL	WEEKS OF NOTICE	JOBS LOST AT CLOSE AND 2 YEARS PRIOR	PRODUCT LINE	PRODUCT CATEGORY	RUNAWAY PLANT
8-830	NL INDUSTRIES	SEE 8-3660		C				CHEMICAL	
8-837	KAWECKI BERYLCO	HAZLETON, PA	8/81	C	23	175	BERYLLIUM COMPOUNDS	CHEMICAL	NO
8-901	SUN OIL	MARCUS HOOK, PA	2/84	C	N/A	250	LUBE REFINING	ENERGY	NO
8-3660	NL INDUSTRIES	SAYREVILLE, NJ	02/83	C	1	675	PIGMENTS	CHEMICAL	CANADA, EUROPE
8-6220	MOBIL OIL	BUFFALO, NY	8/81	P	19	153	OIL REFINING	ENERGY	NO
8-12058	CARBORUNDUM	NIAGARA FALLS, NY	5/83	P	9	350	GRINDING WHEELS	MISC.	NO
8-20581	H. & R. JOHNSON	KEYPORT, NJ	9/81	P	N/A	105	CERAMIC TILES	MISC.	CANADA
# GROUPS 59						5,430			

TOTAL # GROUPS
203

TOTAL P'S
41

TOTAL C'S
162

TOTAL JOBS LOST
22,159

TOTAL JOBS-ENERGY
9,017

TOTAL JOBS-CHEM.
9,191

TOTAL JOBS-MISC.
3,949

* OCAW ORGANIZED PLANTS

**INDICATES THAT THIS PLANT MAY REOPEN AT SOME TIME IN THE FUTURE.

NOTE - ABOVE INCLUDES BUT DOES NOT ACCOUNT SEPARATELY FOR OCAW MEMBERS LAID OFF AND TRANSFERRED TO OTHER COMPANY LOCATIONS.
ALSO INCLUDES NON-MEMBERS IN BARGAINING UNIT.

Mr. **Pease**. And I appreciate the testimony of all of the members of the panel.

Are there questions? Ms. Kaptur? You are allowed to ask a couple of questions.

Ms. **Kaptur**. I know that we are running late.

I thoroughly enjoyed these witnesses. They are certainly experts. And one of the things I would hope, and I am sure they are doing anyway, is that they would try to influence the new Secretary of Labor. When Don Pease and others were so involved in trying to get unemployment benefits extended—and I know many of you were active in that effort—it just so happened that the President was asked in a press conference, if he were willing to support the extension of UC, unemployment compensation. He said, "Well, no." He said he really was not, but that was because he was committed to job training. So, we got him on the record.

So, I clipped that paragraph, and then I got the paragraph from election night when he said, in his acceptance speech at whatever hotel he was at, that even although the recovery was booming, some parts of America had been left behind. He said that in his second administration he really hoped to make a difference in those communities. I keep waiting for him to act on those two statements, and I think now we may have someone more favorable to these parts of the country in the new Secretary of Labor. I therefore, still hold out some hope, albeit slim, that we might be able to do something more to address the needs of these workers.

I need a couple of very brief pieces of information that I know some of you can get to me. I am extremely interested in having it for a variety of reasons. I thought I would put it on the record, if that is all right, Mr. Chairman.

I serve on a Trade Task Force that the leadership has appointed, and we will be going around the country, and trying to elevate public attention. You may think some of this is silly, but I would like to ask the representatives from the auto industry. Do you have any information—I know it was broadcast last week on the Indianapolis 500 cars, especially the winners, on where the parts came from—I am sure you do. I think the only part that was American-made was the shell, but if you could provide me with any more detailed information on where parts are manufactured, I have a use for it.

Second, I would like to ask if any of you—some of you have a long history in Washington, much longer than mine—what do you think of a revolving door in the trade area—we do this with Defense Department legislation? It is interesting to look at the staffing over the years of the International Trade Commission, the ITC, and the USTR, the U.S. Trade Representative, and where the people who leave there ultimately go to work.

I know many of them now work as the chief lobbyist for Japanese firms and others. There is no place that one can easily attain followup information on where they go, except through personal experience. If you can identify warm bodies for me, I would be interested in where they came from and where they went, and then we will check on how much money they are making now. But I could use that.

Third, several of you—in fact, one gentleman in particular, Mr. Gundersheim,—talked about thanking Don for bringing some of us, who are not on Ways and Means, into this issue. I happen to sit on the Banking Committee. That is my major committee. One of my interests continues to be capital mobility. The gentleman, who is the CAP director here, Mr. Rush, was it—Mr. Rush, yes—talked in your testimony here about the big three auto companies manufacturing engines, transmissions, and components in South America, Japan, Mexico.

One of my interests is in obtaining information on how the financing of these non-U.S. based enterprises originally occurred. Because I think that even though we tend to look at capital plant, everything starts with money and the flow of money. That is the basis of all of this foreign construction.

For the gentleman who represents steel country, when I went to the Monongahela Valley about a month ago, I saw all those blast furnaces shut down and being ripped down, with only one still operating. I do not think there has been any experience that has had a more powerful impact on me.

And then I learned about Homestead Works. After World War II, the United States, the people of this country, sold that works for a dime on the dollar to United States Steel, which took 30 years, then, to run it into the ground. And I think it is a national tragedy.

I think one of the areas, for those of us who serve on the Banking Committee, we really have to look at is international financial flows, and how that relates back to this tax bill, and goes through TAA. Mellon Bank made a decision 25 years ago—you know that, do you not—to pull that money out. Where did they put it? Through Sumatomo, in Japan, or something, and now they make all these automated equipment and machine tools in the steel industry.

It all started out with the capital. And the problem with this trade issue is it never comes before the Banking Committee. And I do not know why. I guess Democrats never understand money. I happen to be a Democrat But we sure better start to learn.

And if you have information on some of this financing, because I think some of us, who are going to be looking at that tax bill, are very interested in what happens to allow or disallow more of this money going abroad.

You know, the argument the companies always give us is that we are going for the markets. We have to build abroad because that is where the cars are.

This leads me to my final request for information. I want a map with a chart, with location to volume of production for the auto industry, steel industry, textile industry, rubber industry. I can understand autos better because that is my district.

Joe Tomasi, can you tell me, how many automobiles are manufactured in the world. Do you know that number? I do not.

Mr. Tomasi. It is 13 million.

Ms. Kaptur. And how many of them are sold in the United States?

Mr. Tomasi. About 10 million.

Ms. Kaptur. That is what I wanted to know.

I want to know the world manufacturing capacity in a given commodity and where the market is. Believe it or not, I cannot get that information out of the ITC in a form that is easily understandable, or the U.S. Trade Representative, and I know you have it. And I think for those of you involved in the LICIT, the Labor-Industry Coalition for International Trade effort, if you do not get that kind of simple information out to Members of Congress, you run the risk of losing that legislation if people do not understand what is really at issue here.

I read through the materials that came out. They are much too complicated, I think. But I think if you have information, and I certainly need it, and other Members of Congress do, where you could give us the markets, the international manufacturing capacity in a given area, then I can argue with some guy from GM who tells me, that, he has got to invest in Timbuktu because that is where the market is. I want to know where the market is in these different products.

I know you all support the renewal of TAA, so I will not ask any questions on that. But I could certainly use that other information.

Thank you, Mr. Chairman, for allowing me this time.

[The following was subsequently received from Mr. Clem:]

Pull out gently and unfold for use on your wall

A Tire Review Exclusive

This full-color World Tire map and the updated DOT tire codes show locations of tire factories supplying the U.S. market.

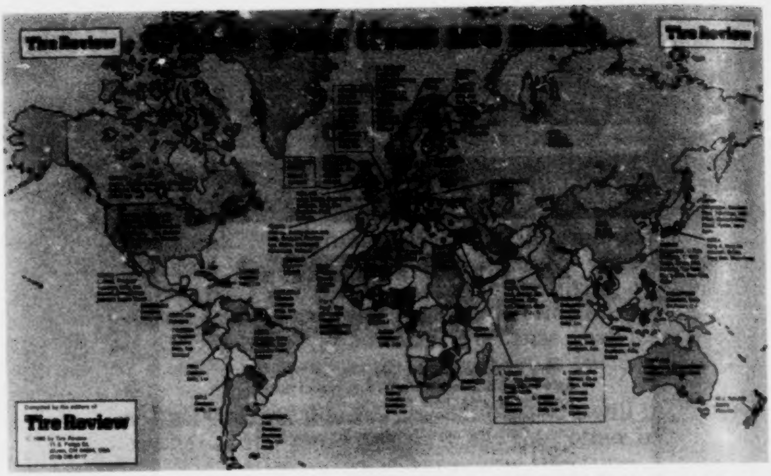
Editors of Tire Review have recognized for some time the need for such an update, and began several months ago compiling the information which also includes latest revisions by the Nat'l Highway Traffic Safety Administration.

Post the map prominently on your wall where both employees and customers can see it. It contains information valuable to tire dealers and retreaders and should be attention-getting to any of your customers who are at all interested in tires.

As indicated inside, many of the original factories listed by DOT in 1971, when the list was first issued, are closed, sold or discontinued, though the tires they produced may still be in use.

Additional copies of the poster, not folded but rolled and mailed in a tube, are available for $7.50 each. Write and enclose your check to: MAP, c/o Tire Review, 11 S. Forge St., Akron, OH 44304.

Pull out gently and unfold for use on your wall



Tire Review
Tire Review
Compiled by the editors of
Tire Review

The DOT tire codes

[illegible]

URW RESEARCH DEPARTMENT

WORLD TIRE MARKET

	1982 (Percent)	1987 est. (Percent)
World	100.0	100.0
North America	33.3	32.8
United States	29.6	29.2
Canada	3.7	3.6
Western Europe	24.3	23.0
France	4.9	5.1
Italy	3.2	2.9
U. K.	3.4	3.3
W. Germany	5.6	5.0
Eastern Europe	9.4	9.5
U. S. S. R.	5.2	5.3
Latin America	6.5	6.8
Africa/Mideast	3.2	3.4
Asia	21.7	22.9
Japan	16.9	17.4
Oceania	1.7	1.6
Total Tire Demand	653.3 million units	800.5 million units

Eight Countries--U. S., Canada, France, Italy, U. K., West Germany, U. S. S. R. and Japan--account for 73 percent.

The above percentages developed using data from Predicasts, Inc., study on World Tire & Rubber Markets--1984.

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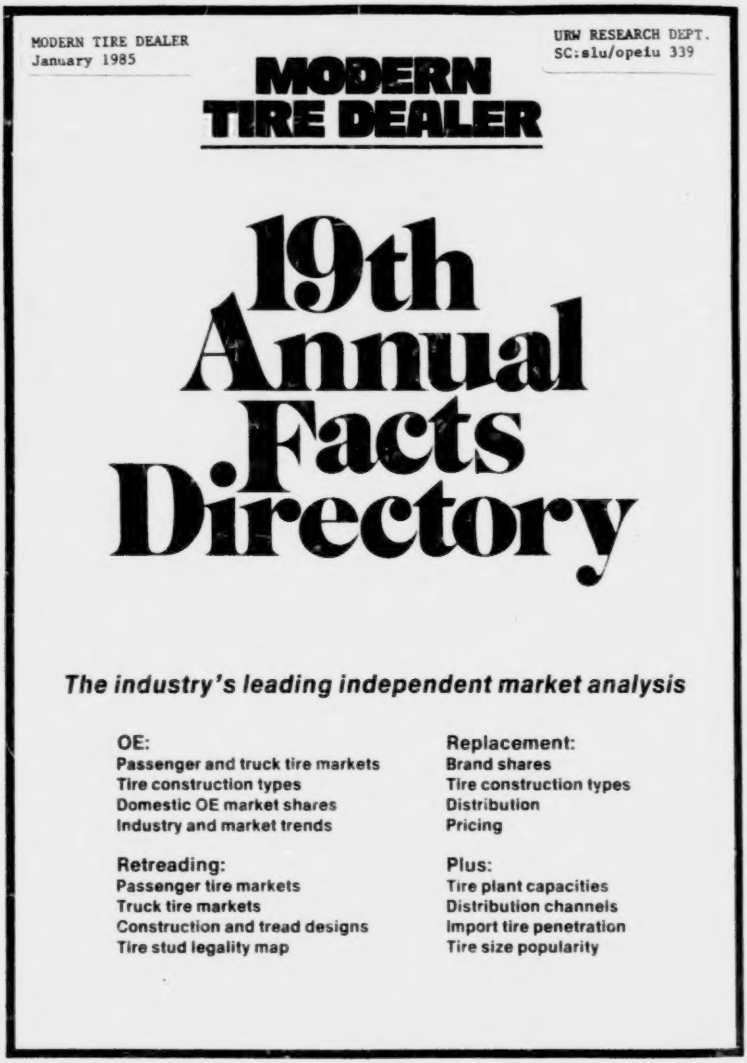
August 2, 1985



MODERN TIRE DEALER
January 1985

URW RESEARCH DEPT.
SC:slu/opeiu 339

MODERN TIRE DEALER

19th Annual Facts Directory

The industry's leading independent market analysis

OE:
Passenger and truck tire markets
Tire construction types
Domestic OE market shares
Industry and market trends

Retreading:
Passenger tire markets
Truck tire markets
Construction and tread designs
Tire stud legality map

Replacement:
Brand shares
Tire construction types
Distribution
Pricing

Plus:
Tire plant capacities
Distribution channels
Import tire penetration
Tire size popularity

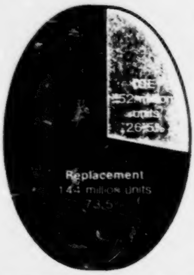
1984 tire industry facts

196 million passenger units shipped

The trend

(passenger units in millions)

	1984	1983	1982	1981	1980	1979
Replacement	144	134	130	123	120	135
OE	52	44	33	37	37	51
Total	196	178	163	160	157	186

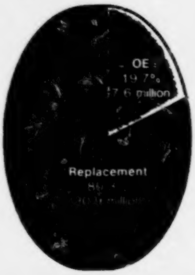


38.5 million truck units shipped

The trend

(truck units in millions)

	1984	1983	1982	1981	1980	1979
Replacement	30.9	29.5	27.0	28.5	27.0	32.0
OE	7.6	5.2	4.5	5.5	6.0	10.2
Total	38.5	34.7	31.5	34.0	33.0	42.2



Imports and exports

Passenger tire shipments for 1984 included 29 million imports, both captive and non-captive. This figure also includes grey market tires, as well as 15 million units by RMA member companies. The total does not reflect, however, 4.6 million exports by domestic tire manufacturers.

Truck shipments for the year include 6.5 million imports. Included in this number are 4.3 million imports by RMA member companies. The number does not reflect, however, 1.5 million exports by domestic manufacturers.

1984 truck tire shipments

Light truck	
Replacement	19.9 million
OE	3.6 million
Total	23.5 million
Medium & heavy truck	
Replacement	11.0 million
OE	4.0 million
Total	15.0 million

Passenger tire retail prices and sales percentage by construction

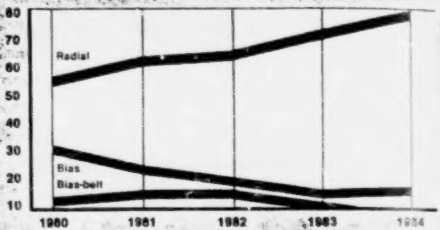
	Bias	Bias-belt	Radial
1984	16.0%	5.0%	79.0%
1983	15.0%	12.0%	73.0%
1982	20.0%	17.0%	63.0%
1981	25.6%	14.0%	60.4%
1980	31.1%	11.2%	57.7%

Retail prices for new tires and sales distributions

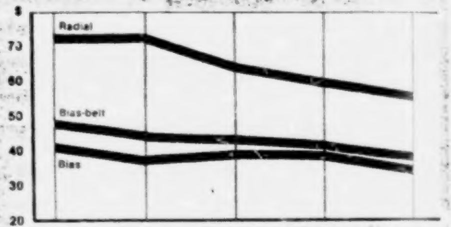
The accompanying tables track the history of the medium tire prices (bias, bias-belt and radial) and distribution, over a five-year period. Notable is the steady decline in the percent of sales of the bias-belt tire, along with the rapid increase for the radial tire. The apparent drop in price in 1981 is due to the decreasing size of the average passenger tire. The tire used from 1981 onward is a first-line P195/75R14, or its equivalent. Since 1981, however, the average price of tires has continually fallen.

	Bias	Bias-belt	Radial
1984	$37.15	$39.00	$55.50
1983	39.95	43.66	60.00
1982	39.00	44.00	65.00
1981	37.95	44.41	72.13
1980	41.98	49.90	72.71

Percent of unit sales*



Median retail price*



*Source: National Tire Dealers & Retreaders Association (NTDRA)

Passenger tire construction types

Of the estimated 144 million replacement passenger tires shipped in 1984
17.3 million were bias-ply
18.7 million were bias-belted
108.0 million were radial

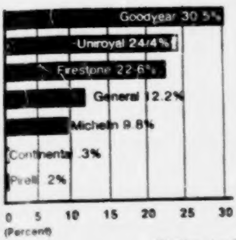
Of an estimated 52 million OE passenger tires shipped in 1984
8.4 million were bias-ply
1 million were bias-belted
43.5 million were radial

Of the estimated 196 million passenger tires shipped in 1984
25.7 million were bias-ply
18.8 million were bias-belted
151.5 million were radial

		OE*	Replacement
1985**	Bias		10%
	Bias-belt		11%
	Radial	100%	79%
1984	Bias		12%
	Bias-belt		13%
	Radial	100%	75%
1983	Bias		17%
	Bias-belt		13%
	Radial	100%	70%
1982	Bias		21%
	Bias-belt		15%
	Radial	100%	64%
1981	Bias		25%
	Bias-belt	0.4%	16%
	Radial	99.6%	59%

*These OE figures do not include bias ply temporary spares, although they are included in total OE shipment numbers.
**Projections.

1984 domestic OE market shares



Estimated 1984 brand shares — domestic OE market

General Motors

Goodyear	19.5%
Uniroyal	38%
Firestone	22%
General	17.5%
Michelin	3%

Ford

Goodyear	22%
Uniroyal	6.5%
Firestone	39.5%
General	10.5%
Michelin	21.5%

Chrysler

Goodyear	83%
Uniroyal	0%
Firestone	1%
General	0%
Michelin	16%

AMC

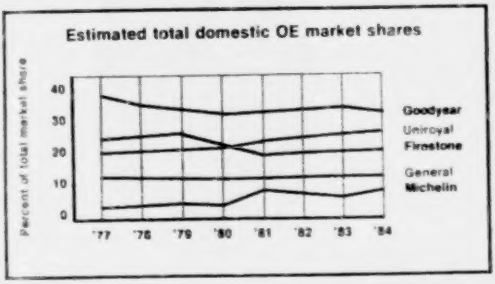
Goodyear	75%
Uniroyal	0%
Firestone	0%
General	0%
Michelin	25%

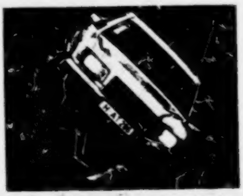
VW of America

Goodyear	15.5%
Uniroyal	10%
Michelin	23%
Continental	27.5%
Pirelli	24%

Honda of America

Goodyear	47%
Michelin	53%





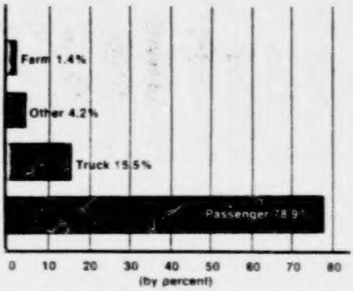
In 1984, 23% of all new cars sold in the U.S. were imported, accounting for approximately 12 million car tires. Japanese tire manufacturers captured 75% of this market.

Estimated brand shares of replacement passenger tire market

Goodyear	15.0%	Dayton	2.0%
Firestone	10.0%	Jetzon-Laramie	2.0%
Sears	9.5%	Bridgestone	2.0%
Michelin	7.0%*	Remington	1.5%
BFGoodrich	4.5%	K-Mart	1.5%
Uniroyal	3.5%	Stratton	1.5%
Kelly-Springfield	3.0%	Western Auto	1.0%
Multi-Mile	3.0%	Centennial	1.0%
Cooper	2.5%	Hercules	1.0%
General	2.5%	Pirelli	1.0%
Montgomery Ward	2.5%	Star	1.0%
Dunlop	2.5%	Summit	1.0%
Armstrong	2.0%	Winston	1.0%
Atlas	2.0%	Regul	1.0%
Cordovan	2.0%	Others	10.0%

*This number does not include 1 million gray market tires.

Estimated 1984 U.S. tire shipments



Out of an estimated 248.5 million tires shipped during 1984 in the U.S., *MTD* estimates that:

- About 196 million were passenger units (144 million of which were replacement and 52 million were OE);
- About 38.5 million were truck units (30.9 million replacement and 7.6 million OE);
- Some 3.6 million were farm units (2.6 million replacements and 1.0 million OE);
- Plus an additional 10.4 million units which include industrial, aircraft, motorcycle and utility tires.

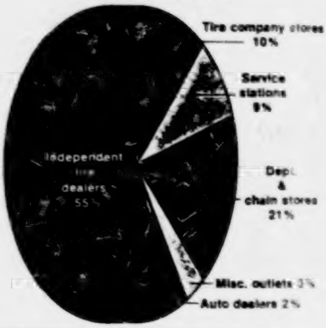
A $13.8 billion market

American purchasers spent approximately $13.8 billion in 1984 for new replacement tires. Of this amount:

- Replacement passenger tires accounted for nearly $7.3 billion (52.8%);
- Replacement truck tires accounted for nearly $5.9 billion (42.7%);
- Replacement farm tires accounted for nearly $624 million (4.5%).

Where consumers say they buy tires

The retail market



Tire reinforcement materials

OE

The following is a percentage breakdown of the type of cord used in the body (or carcass) of the estimated 52 million OE passenger tires shipped in 1984.

	Polyester	Nylon	Rayon
Bias*	30%	70%	0%
Radial	100%	0%	0%

*Primarily temporary spares.

The following is a percentage breakdown of the type of cord used in the belts of the estimated 43.6 million OE passenger tires produced with belts in 1984.

	Steel	Rayon	Fiberglass	Aramid
Radial	87%	2%	12%	8%

Replacement

The following is a percentage breakdown of the type of cord used in the body (or carcass) of the estimated 144 million replacement passenger tires shipped in 1984.

	Polyester	Nylon	Rayon
Bias	98%	2%	0%
Bias-belt	100%	0%	0%
Radial	98%	0%	2%

The following is a percentage breakdown of the type of cord used in the belts of the estimated 124.1 million replacement passenger tires produced with belts in 1984.

	Steel	Rayon	Fiberglass	Aramid
Bias-belt	0%	0%	100%	0%
Radial	83%	2%	12%	3%

Estimated share of the passenger tire retail market

	1984	1983	1982	1981	1980	1979
Tire Dealerships	55%	54%	53%	51%	47%	45%
Service Stations	9%	9%	10%	11%	12%	13%
Tire Company Stores	10%	10%	9%	9%	9%	10%
Misc. Outlets	3%	3%	3%	3%	3%	2%
Auto Dealerships	2%	2%	2%	2%	2%	2%
Chain Stores, Dept. & Discount Stores	21%	22%	23%	24%	27%	28%

Our table on estimated share of the retail market employs the use of a percentage based on retail sales. As part of this ongoing study, we show where consumers buy their tires.

Wholesale and retail

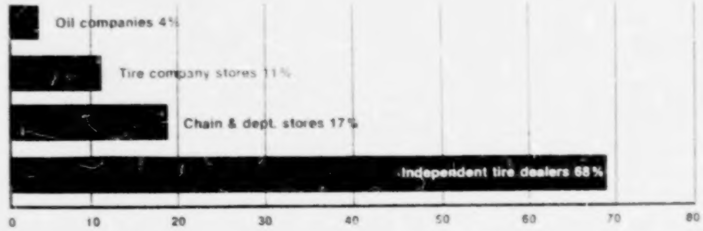
How passenger tires reach the market — distribution channels

	1984	1983	1982	1981	1980	1979
Independent Dealers	68%	67%	67%	65%	63%	61%
Oil Companies	4%	4%	4%	5%	5%	5%
Tire Company Stores	11%	11%	10%	10%	11%	12%
Chain Stores, Dept. & Discount Stores	17%	18%	19%	20%	21%	22%

This table — distribution channels — is broken down by percentage based on the number of units being handled in the replacement passenger market. Importantly, this table uses both retail and wholesale sales as a base.

How tires reach the market

- Independent dealers accounted for 97.9 million units.
- Oil companies supplied their dealers with 5.8 million units.
- Tire manufacturer-owned company stores handled 15.8 million units.
- Chain and department stores handled 24.5 million units.



Estimated tire capacity by plant

In units (000)

These totals represent capacity at each plant as of January 1, 1985

Company	Location	Passenger tires per day	All others per day	Total tires per day
Armstrong	Des Moines, IA	7.0	7.6	14.6
	Hanford, CA	10.0	1.9	11.9
	Natchez, MS	12.0	3.1	15.1
	Nashville, TN	13.0	0.0	13.0
		42.0	12.6	54.6
Bridgestone	LaVergne, TN	—	3.0	3.0
Cooper	Findlay, OH	11.4	5.7	17.1
	Texarkana, AR	20.6	4.3	24.9
	*Tupelo, MS	(17.0)	—	(17.0)
		32.0	10.0	42.0
Denman	Warren, OH	0.4	2.5	2.9
Dunlop	Buffalo, NY	10.0	6.0	16.0
	Huntsville, AL	22.0	1.0	23.0
		32.0	7.0	39.0
Firestone	Albany, GA	27.0	—	27.0
	Bloomington, IL	—	0.1	0.1
	Decatur, IL	20.0	6.5	26.5
	Des Moines, IA	15.0	3.2	18.2
	**Wilson, NC	20.0	—	20.0
	Oklahoma City, OK	24.0	3.8	27.8
		106.0	13.6	119.6
General	Bryan, OH	—	0.1	0.1
	Charlotte, NC	20.0	—	20.0
	Mayfield, KY	27.0	7.0	34.0
	Waco, TX	14.0	7.5	21.5
	**Mt. Vernon, IL	13.0	2.5	15.5
		74.0	17.1	91.1
BFGoodrich	Ft. Wayne, IN	21.3	7.9	29.2
	Miami, OK	6.0	5.8	11.8
	Oaks, PA	12.0	2.0	14.0
	Tuscaloosa, AL	33.0	1.0	34.0
		72.3	16.7	89.0
Goodyear	Danville, VA	—	10.6	10.6
	Gadsden, AL	48.0	13.1	61.1
	Topeka, KS	—	5.5	5.5
	Union City, TN	44.0	—	44.0
	**Lawton, OK	35.0	—	35.0
		127.0	29.2	156.2

Kelly Springfield	Cumberland, MD	6.8	3.4	10.2
	Freeport, IL	2.0	11.5	13.5
	Tyler, TX	15.0	—	15.0
	Fayetteville, NC	47.0	5.0	52.0
		70.8	19.9	90.7
McCreary	Indiana, PA	1.5	3.0	4.5
Michelin	**Greenville, SC	25.0	—	25.0
	**Spartanburg, SC	—	4.5	4.5
	**Dothan, AL	—	4.5	4.5
	**Lexington, SC	20.0	—	20.0
		45.0	9.0	54.0
Mohawk	Salem, VA	13.0	0.5	13.5
Uniroyal	Eau Clair, WI	22.8	4.6	27.4
	Opelika, AL	22.0	4.0	26.0
	**Ardmore, OK	33.0	—	33.0
		77.8	8.6	86.4
Grand Total		693.8	152.7	846.5

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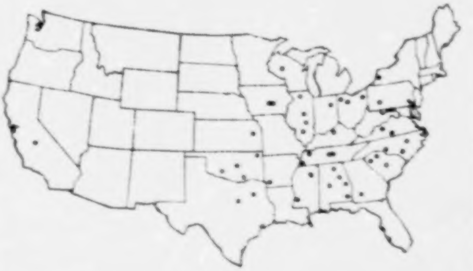
*This plant is due to come on stream in January 1985. This is anticipated capacity.

**These are non-union plants. The United Rubber Workers do not represent the employees.

Estimated passenger and truck tire plant capacity by state

State	Capacity thousand tires/day	Percent total
Alabama	148.6	17.7%
Oklahoma	107.6	12.7%
N. Carolina	92.0	10.9%
Tennessee	60.0	7.0%
Illinois	55.6	6.6%
S. Carolina	49.5	5.8%
Texas	36.5	4.3%
Kentucky	34.0	4.0%
Iowa	32.8	3.9%
Indiana	29.2	3.4%
Wisconsin	27.4	3.3%
Georgia	27.0	3.2%
Arkansas	24.9	2.9%
Virginia	24.1	2.8%
Ohio	20.1	2.4%
Pennsylvania	18.5	2.2%
New York	16.0	1.9%
Mississippi	15.1	1.8%
California	11.9	1.4%
Maryland	10.2	1.2%
Kansas	5.5	.6%
Total	846.5	100.0%

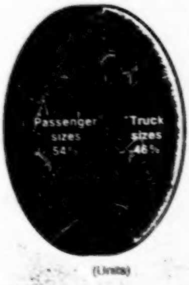


Akron is still the tire capital in terms of tire company management, but the city no longer produces tires for anything but experimental or racing purposes. BFGoodrich quit producing truck tires at its Akron plant in 1984. According to MTD's estimates, the top five tire producing states are Alabama, Oklahoma, North Carolina, Tennessee and Illinois. There are currently 45 tire plants in the U.S., not counting industrial, experimental and other specialty tire facilities.

Total estimated passenger and truck tire capacity equals 846,500 units per day.

Retreading: 40 million units in 1984

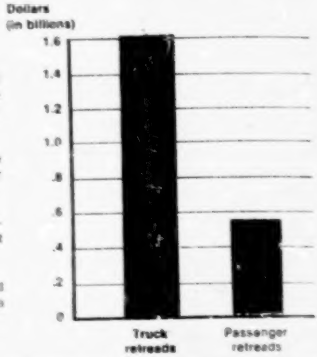
Retread market at a glance



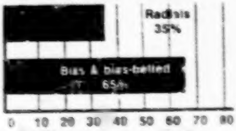
An estimated 40 million retreaded passenger and truck sizes were produced in 1984. Of this, approximately:

- 21.5 million passenger units were produced which accounted for about $557 million in sales;
- 18.5 million truck units were produced which accounted for about $1.63 billion in sales;

The 40 million retreaded truck and passenger tires accounted for a $2.2 billion market.

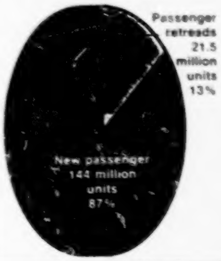


Passenger retread tires by casing construction



7.5 million radial tires were retreaded
14 million bias and bias-belted tires were retreaded

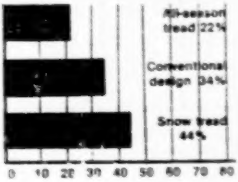
Passenger retreads



21.5 million units

The total passenger replacement tire market including retreads is 165.5 million units. The percent of retreads vs. new passenger tires dropped 2% in 1984.

Passenger retread tires by tread design

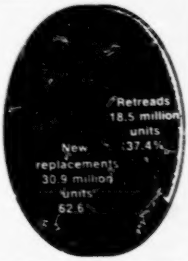


4.7 million all-season tread units
9.5 million snow tread units
7.3 million conventional tread units

Truck retreads

18.5 million units

Over one in three replacement truck tires is a retread. The total truck replacement tire market, including retreads, is 49.4 million units.



Projected popular passenger replacement tire sizes 1985

For 1985, the most popular P-metric radial size is expected to be the P195/75R14, with 16.5% popularity.

For non-radial P-metric tires, the P195/75B14 and P195/75D14 will be the most popular with 18% of the market.

Size popularity and hence, percentages will vary for different sections of the country.

Radial

Following are the projected popularity percentages for P-metric radial sizes for 1985:

P195/75R14	16.5%
P215/75R15	13.0%
P225/75R15	12.0%
P235/75R15	10.0%
P205/75R15	8.5%
P205/75R14	7.5%
P155/80R13 (165/75R13)	6.5%
P185/80R13	6.5%
P165/80R13	5.5%
P185/75R14	5.0%
P175/80R13 (185/75R13)	4.0%
P215/75R14	2.5%
P175/75R14	1.0%
P155/80R12	.5%
P225/75R14	.5%
P195/75R15	.5%

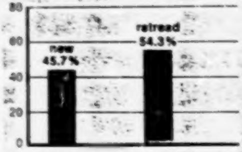
Non-radial (bias and bias-belted)

Following are the projected popularity percentages for P-metric non-radial sizes for 1985:

P195/75 BorD 14	18.0%
P225/75 BorD 15	15.0%
P215/75 BorD 15	14.5%
P205/75 BorD 14	10.5%
P235/75 BorD 15	10.5%
P215/75 BorD 14	8.5%
P165/80 BorD 13	7.5%
P175/80 BorD 13	5.0%
P185/75 BorD 14	3.0%
P225/75 BorD 14	3.0%
P155/80 BorD 13	2.5%
P185/80 BorD 13	1.5%
P205/75 BorD 15	.5%

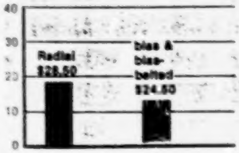
Source Marketing Department, Kelly-Springfield

Passenger snow tires (by percent)



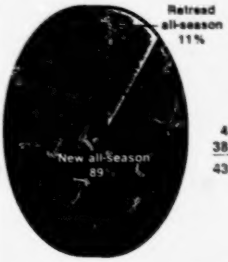
8.0 million new snow tires
9.5 million retread snows
17.5 million total market

Retail prices for passenger retreads (in dollars)



1984 Median Price $25.90

Passenger all-season tires 1984



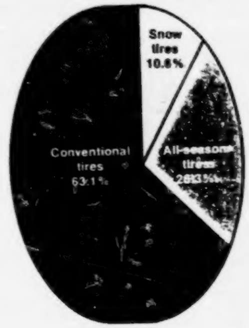
In 1984 there were:
4.7 million retread all-season tires
38.9 million new all-season tires
43.6 million total all-season tires

All-season tires:

Hottest trend in the new tire marketplace

1 million units in 1977 (1.4% of replacement market)
3 million units in 1978 (2.0% of replacement market)
7 million units in 1979 (5.2% of replacement market)
10 million units in 1980 (8.3% of replacement market)
16.5 million units in 1981 (13.4% of replacement market)
21.5 million units in 1982 (16.5% of replacement market)
30.0 million units in 1983 (22.4% of replacement market)
38.9 million units in 1984 (27% of replacement market or 36% of radial portion of market)

Estimated total replacement passenger tire market by tread design (retreads included)



43.6 million all-season tires
17.5 million snow tires
104.4 million conventional tires

165.5 million total replacement market
(with retreads included)

Historical trends: Tires and inner tubes

(In millions of dollars except as noted)

Item	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	Compound annual growth rate 72-82	Compound annual growth rate 77-82
Industry data													
Value of shipments	5,747	6,542	7,348	7,143	7,714	8,971	8,890	9,542	8,803	9,871	9,361	5.0	0.9
Value of shipments (1972 $)	5,747	6,420	6,072	5,260	5,226	5,784	5,431	5,065	4,053	4,273	3,978	−3.6	−7.2
Total employment (000)	107.5	114.6	117.3	106.1	103.9	114.0	102.6	103.2	87.2	79.3	70.5	−4.1	−9.2
Production workers (000)	83.1	88.3	89.8	80.0	78.6	88.3	81.0	81.0	66.1	62.3	54.8	−4.1	−9.1
Average hourly earnings ($)	5.38	5.72	6.02	6.41	7.02	7.74	8.40	9.51	10.62	11.89	12.72	9.0	10.4
Capital expenditures	267	374	486	272	244	289	340	380	331	302	236	−1.2	−4.0
Product data													
Value of shipments	4,898	5,506	6,142	6,107	6,528	8,128	8,232	8,959	8,373	9,576	9,063	6.3	2.2
Value of shipments (1972 $)	4,898	5,404	5,076	4,497	4,423	5,240	5,084	4,755	3,855	4,146	3,852	−2.4	−6.0
Shipments price index (1972 = 100)	100.0	101.9	120.6	135.8	147.6	155.3	163.8	187.6	216.1	229.7	234.2	8.9	8.6
Trade data													
Value of imports	381.5	541.9	566.6	563.6	731.5	845.4	907.1	1,121	1,132	1,307	1,216	12.3	7.5
Import/new supply ratio	0.075	0.093	0.088	0.086	0.106	0.098	0.103	0.116	0.126	0.127	0.124	5.1	4.6
Value of exports	100.5	143.6	320.4	308.3	239.3	309.0	280.1	352.8	511.3	583.9	371.9	14.0	3.8
Export/shipment ratio	0.021	0.026	0.052	0.050	0.037	0.036	0.034	0.039	0.061	0.061	0.041	7.2	1.5

Recent performance and forecast: Tires and inner tubes

(In millions of dollars except as noted)

	1982	1983[1]	1984[2]	1985[3]	Percent change 1982-83	Percent change 1983-84	Percent change 1984-85
Industry data							
Value of shipments	9,361	9,950	11,000	—	6.3	10.6	—
Value of shipments (1972 $)	3,978	4,403	4,867	4,925	10.7	10.6	1.2
Total employment (000)	70.5	65.7	68.9	—	−6.8	4.8	—
Production workers (000)	54.8	51.8	52.5	—	−5.5	1.3	—
Average hourly earnings ($)	12.72	13.47	14.38	—	5.9	6.7	—
Product data							
Value of shipments	9,063	9,650	10,650	—	6.5	10.4	—
Value of shipments (1972 $)	3,852	4,270	4,712	4,750	10.9	10.4	0.8
Shipments price index (1972 = 100)	234.2	224.8	220.0	—	−4.0	−2.1	—
Trade data							
Value of imports	1,216	1,375	1,900	1,900	13.0	38.2	0.0
Import/new supply ratio	0.124	0.128	0.157	0.150	2.9	22.7	−4.5
Value of exports	371.9	303.8	425.0	425.0	−18.3	39.9	0.0
Export/shipment ratio	0.041	0.031	0.040	0.038	−23.3	26.8	−4.5

[1] Estimated except for shipments price index, exports and imports. [2] Estimated. [3] Forecast.
Source: U.S. Department of Commerce: Bureau of the Census, Bureau of Economic Analysis, and International Trade Administration (ITA). Estimates and forecasts by ITA.

OE passenger car tire size popularity

Tire size popularity is tabulated to reflect total industry shipments to OE, not just passenger car consumption, excluding temporary mini spares.

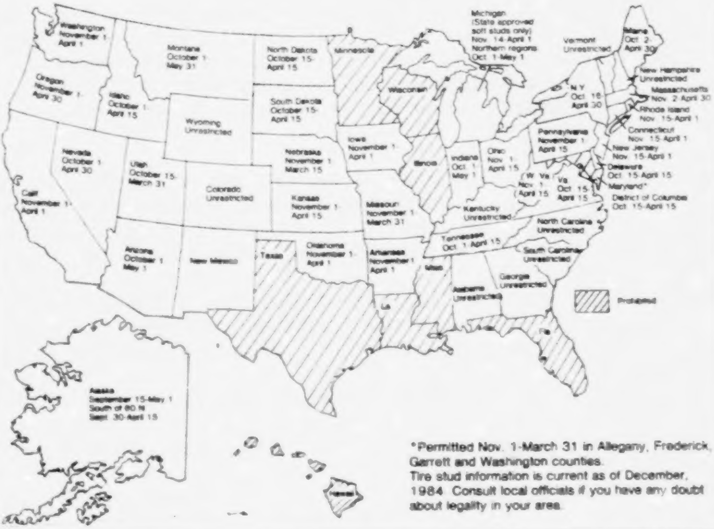
1984

Size	Percent
P205/75R15	13.0%
P195/75R14	12.0%
P175/80R13	11.7%
P185/75R14	10.0%
P235/75R15	8.1%
P165/80R13	6.5%
P215/75R15	4.9%
P155/80R13	4.9%
P185/80R13	4.2%
P225/75R15	3.6%
P225/75R14	3.6%
P185/70R14	3.3%
P195/75R15	3.2%
P205/70R14	2.6%
Other	8.4%

1983

Size	Percent
P195/75R14	15.4%
P205/75R14	11.4%
P185/75R14	7.5%
P175/80R13	6.7%
P185/80R13	6.1%
P215/75R15	6.1%
P175/80R13	5.4%
P225/75R15	4.3%
P165/80R13	4.2%
P235/70R15	3.8%
P155/80R13	3.7%
P195/75R15	3.6%
P235/70R15	3.3%
P185/70R14	3.0%
P205/75R14	2.9%
Other	12.6%

Tire stud legality map


Washington November 1-April 1
Oregon November 1-April 30
Calif November 1-April 1
Nevada October 1-April 30
Idaho October 1-April 15
Montana October 1-May 31
Wyoming Unrestricted
Utah October 15-March 31
Arizona October 1-May 1
Colorado Unrestricted
New Mexico
North Dakota October 15-April 15
South Dakota October 15-April 15
Nebraska November 1-March 15
Kansas November 1-April 15
Oklahoma November 1-April 1
Texas
Minnesota
Iowa November 1-April 1
Missouri November 1-March 31
Arkansas November 1-April 1
La
Wisconsin
Illinois
Miss
Michigan (State approved soft studs only) Nov. 14-April 1 Northern regions Oct. 1-May 1
Indiana Oct. 1-May 1
Ohio Nov. 1-April 15
Kentucky Unrestricted
Tennessee Oct. 1-April 15
Alabama Unrestricted
Georgia Unrestricted
Fla
W. Va. Nov. 1-April 15
Va. Oct. 15-April 15
North Carolina Unrestricted
South Carolina Unrestricted
Pennsylvania November 1-April 15
N.Y. Oct. 16-April 30
Vermont Unrestricted
Maine Oct. 2-April 30
New Hampshire Unrestricted
Massachusetts Nov. 2-April 30
Rhode Island Nov. 15-April 1
Connecticut Nov. 15-April 1
New Jersey Nov. 15-April 1
Delaware Oct. 15-April 15
Maryland*
District of Columbia Oct. 15-April 15
Prohibited
Alaska September 15-May 1 South of 60 N Sept. 30-April 15
Hawaii

*Permitted Nov. 1-March 31 in Allegany, Frederick, Garrett and Washington counties.
Tire stud information is current as of December, 1984. Consult local officials if you have any doubt about legality in your area.

Mr. **Pease**. Thank you, Ms. Kaptur.

Mr. Seiberling.

Mr. **Seiberling**. Thank you, Mr. Chairman.

I am going to have to leave in a minute to catch a plane to Washington.

Let me just say that this testimony has been very, very powerful. This is the real world that we are in. Washington is not the real world and, certainly, Hollywood is not the real world.

The real second American Revolution is taking place in the form of deindustrialization of America. And this administration is totally oblivious to that.

The only piece of legislation that the administration is proposing to deal with the labor problem and the problem of jobs is the subminimum wage, and that is a pitiful commentary.

The TAA Program is an absolute must. The Japanese are beating the pants off of us for various reasons, one of which is that they understand that effective job training requires a constant effort by government and industry in partnership. Furthermore, they start out with a recognition that education is the key to a modern, competitive society.

I suggest that the prime example of one of the shortcomings of our educational system is the man in the White House himself who, obviously, did not receive a first-rate education.

I want to thank this panel. I am sorry I have to leave before the next one, but I appreciate, Don, your having these hearings, and the fight you are making. I thank you for giving me an opportunity to sit in with this subcommittee on this very important subject.

Mr. **Pease**. Thank you, John Seiberling. We appreciate your being here also.

Mr. Levin.

Mr. **Levin**. Because of time, let me just ask one brief question.

I wanted to ask about some other industries, auto, and textiles, and oil and chemical, but let me, if I might, just ask Mr. Clem, because I think there is less awareness of the picture in the rubber industry and tires.

With this loss of production here in the United States—we have not really heard much from the American producers. At least, I have not heard many who complained. What is being said on the management side?

I think one of the problems is that we do tend to talk to each other, and we do not have enough opportunity to come up with people who maybe have a somewhat different perspective. What is happening with the large tire producers in the United States as production goes down here in America. Are you producing elsewhere, the outsourcing, or what is going on, briefly?

Mr. **Clem**. Most of them have plants in other countries around the world which they call upon to supply the U.S. market whenever it is necessary, as it was last year. Roughly 20 percent of the imports that came in last year came from overseas subsidiaries of four or five American companies.

The tire industry is an industry that is noted for severe price competition. It is very, very competitive on the basis of price industry. It is that way within domestic industry, and it is becoming even more pronounced with the influx of very, very low priced imports from such places as Korea, Taiwan, the People's Republic of China, Brazil, and Mexico. Tires are coming in from a lot of different countries now, and putting even more and more price pressure on the American producers.

And part of their response to that is to import from their own low-cost sources abroad.

[The following was subsequently received from Mr. Clem:]

URW RESEARCH DEPARTMENT

Rubber & Plastics News II
The Rubber Industry's International Newspaper
Week of July 22, 1985

Firestone moves against 'gray market' tire imports

AKRON—In an effort to thwart "gray market" imports, Firestone said it will no longer include a federal serial number and a safety warning on its tires made overseas for foreign consumption.

Firestone notified its dealers and stores recently that all tires made outside North America and not intended for sale on the continent will be made without the U.S. Department of Transportation serial number and a safety warning message Firestone has devised for U.S. and Canadian consumers.

"As a result," the letter said, "Firestone tires received or imported from other than Firestone Tire & Rubber Co. will not necessarily be safety-warned nor carry the DOT mark.

"There are significant legal and financial penalties associated with selling non-DOT tires. Therefore, those who intend to resell Firestone tires in the U.S.A. should avoid purchasing through non-Firestone Tire & Rubber Co. sources."

Firestone said this policy will apply to passenger and heavy-duty truck tires. The company began molding the safety warning on its tires several years ago, and said it has changed all its molds to this style.

Firestone declined to comment beyond the letter.

Industry sources have indicated that the tire gray market—importing through "unofficial" channels—is several million units a year. Wholesalers in the United Kingdom, Belgium, Netherlands, Italy and West Germany are most often named as the participants in gray market activity.

RUBBER & PLASTICS NEWS July 1, 1985 URW RESEARCH DEPARTMENT

'U.S. taking a shellacking'

Others in world trade don't play by our rules

By PATRICK C. ROSS

ANN ARBOR, MICH.

When it comes to world trade, many countries are not playing by the same rules—and the result is that American workers have two strikes against them as they compete with workers from Japan and a host of other nations.

Why? Because we play by the rules.

We believe that trade should be fair and free. But most other countries only talk a good game. Their game plan is to restrict imports with all the gusto of an all-star catcher protecting home plate during a suicide squeeze. Here are some examples:

Each U.S. automobile imported into Japan is driven to the local Japanese Department of Motor Vehicles for an inspection that typically requires a three- or four-hour wait. The car can then be rejected for minor mechanical problems or cosmetic imperfections. On a $10,000 Chevrolet, a commodity tax of as much as $2,200 is assessed.

American cigarettes are subject to a 35 percent tariff in Japan and sell at prices set by a government-operated monopoly that are about 60 percent *above* the price of Japanese cigarettes. And until just recently, advertising for U.S. brands could only be in English—not Japanese.

Italy still requires that any pasta sold there must be made of Durum wheat, not the soft wheat normally used for pasta-type products elsewhere... even in fellow European Economic Community countries.

In West Germany, a law whose origins go back several centuries specifies that beer sold there must be made only of barley malt, hops, and water. Since brewers in France, Belgium and the Netherlands—like those in the United States—now use other grains or additives, there "ain't" no Miller time on the Rhine...

Japan maintains high tariffs against American paper, finished wood, alcoholic beverages and farm machinery—and the politically powerful farm lobby resists attempts to open beef and citrus markets to greater American imports...

There are other examples, but the point is clear: Not all countries follow the rules that we play by—rules designed to open markets and stimulate trade. In fact, the secretariat of the general agreement on tariffs and trade estimates that between three and five percent of world trade—or some $30 billion to $50 billion—is adversely affected by import restrictions.

We're being hustled. Uncle Sam is the Rodney Dangerfield of world trade—he gets no respect. While the United States remains the largest and freest market in the world—other countries only play by the rules when it comes to exporting goods to the United States market. We are taking a shellacking as a result.

In 1950 the United States accounted for about 20 percent of world trade. By 1980, the figure had slipped to 11 percent.

Our trade balance—positive from 1893 to 1970—turned negative in 1971 and has continued downhill ever since. Last year the U.S. trade deficit was more than $120 billion, including $79 billion in the manufacturing sector. Our trade deficit with Japan topped $35 billion last year—and may reach $50 billion this year....

We're not talking about plastic flowers from Hong Kong or costume jewelry from Taiwan. We're talking about steel, automobiles, major appliances, chemical products, industrial machinery, consumer electronics and dozens of other big-ticket items that form the backbone of an industrialized economy. And it is not just "Smokestack America" that is under attack. The new high-technology industries, such as semi-conductors, are facing intense competition from foreign firms as well. Thus, there is certainly no guarantee that these industries are going to provide job opportunities long term for today's workforce—or tomorrow's.

Here's the situation:

- We in the United States now import over one-fourth of our cars.
- We import over one-fourth of our steel.
- We import over one-fourth of our machine tools.
- We import 20 percent of our replacement passenger car tires, and if you include the tires on the imported cars—it's 25 percent of the total—nearly 45 million tires...

What are the consequences of all these imports for American workers?

Many are in the unemployment line instead of on the production line. To use my industry as an example, those 45 million tires I just mentioned—that's about 12,000 jobs. And unfortunately, many of those unemployed will never return to their jobs. An estimated two and a half million American jobs have been lost as a result of foreign competition—about 75,000 right here in Michigan...

Of course, numbers don't tell the whole story. What we are talking about are Americans who have had their dreams shattered by the reality of what in my view is unfair foreign competition. This is a national tragedy—and one that need not have occurred.

In such an environment, it is understandable why sentiment is increasing in this country to erect barriers to foreign imports.

But, in my view, protectionism is not the answer to the problems facing American industry and American workers. I know that this is not a particularly popular opinion, especially in this part of the country. However, protectionism will not work—and in fact represents a very real danger to this nation's economy and to American industry and workers.

Today, the world's economy is even more dependent on international commerce than it was five decades ago—and protectionist measures initiated by any major industrial nation could trigger economic—and political—upheaval similar to what occurred during the depression.

What we need to do is focus on some basics... Our government must ensure that all countries are playing by the same rules—and that free trade is free and fair in both directions. The frustration over our government's failure to get all countries to adhere to the rules of fair trade is the spark that now threatens to ignite protectionist legislation in congress.

Getting other countries to play by the same rules, however, is no easy task. At the recent Bonn Economic Summit, France's President Mitterrand continued to oppose a new round of trade-liberalization talks that President Reagan and others proposed for next year....

Moreover, we must begin balancing national security and foreign policy considerations with the economic realities of world trade—and what this trade means to American workers and to our national economic well-being. Simply, we have allowed the Pentagon and State Department to formulate trade policy for far too long. It is obvious that the fundamental building block for all U.S. policies is a strong economy. It is a sad irony to weaken it in the name of national security or international diplomacy.

Also, it is time that our government supported American businesses—rather than looking for any excuse to tie our hands and make it more difficult to compete.

As an example, U.S. tire manufacturers recently sought relief from what we believe is a clear-cut case of Korean firms dumping tires into this country—they were selling tires for less in the United States than in Korea. Not only did the government disagree with our position but the U.S. firms are now being investigated by the federal trade commission for possible antitrust violations.

As a business manager facing a similar situation, would you proceed to file a complaint, knowing that it may expose your firm to an extensive and time-consuming government inquiry? Well, I did and probably would again... and yet I believe this type of situation has a chilling effect on this nation's ability to ensure that the rules of international commerce are being followed.

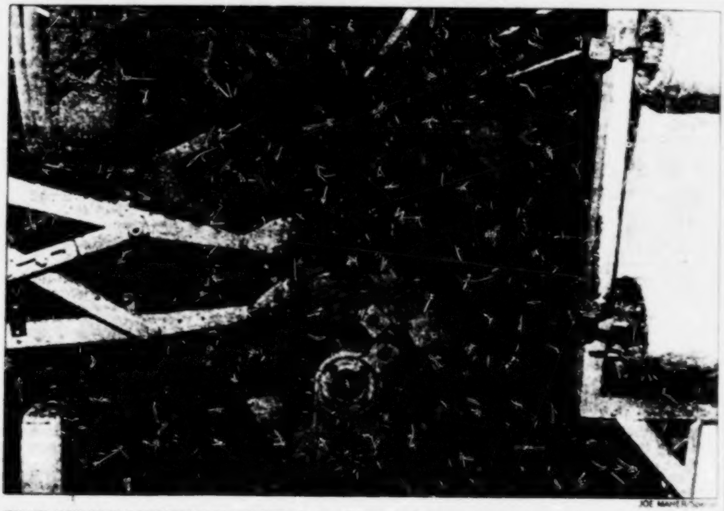
In addition to increased government support for American business, there are other solutions to the problems that are undercutting our ability to compete in world markets. For instance:

- We should encourage our government to develop a well-defined, comprehensive trade policy that recognizes the importance of exports to our economy. We now export nearly $1 out of every $5 worth of goods we produce, and more than five million U.S. jobs depend on exports. Still, only about 12 percent of the nation's 250,000 manufacturers are exporters. And the Commerce Department estimates that another 20,000 businesses could export but don't—primarily because of a lack of information about export markets or the export process.
- We should urge Washington to help stimulate investment through revised tax policies.
- We should insist that the Federal Government end the massive deficit spending that takes capital away from business investment—and that perpetuates the overvaluation of the U.S. dollar and adds as much as 20 percent to the price of U.S. exports.
- We should work to end the burden of unnecessary government regulation—which adds more than $100 billion a year to the cost of doing business.
- And lastly, we should remind the government frequently of the need to create an economic—and tax—environment that rewards individuals and businesses for taking risks. For business, this is particularly important in areas relating to research and development.

Ross is president and operating officer of the B.F. Goodrich Co. in Akron. His comments were taken from a speech he gave recently at an economic and [illegible] forum in Ann Arbor.

The Atlanta Journal ☐ THE ATLANTA CONSTITUTION

May 26, 1985



JOE MAHER/Staff

BEAD AND PLY ASSEMBLY MACHINE: Tire builder Tony LaSalle at work in Firestone's Albany, Ga. plant

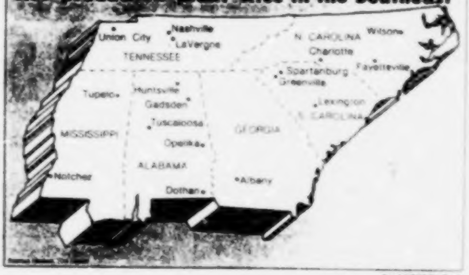
Tire sales flattened by imports

Foreign firms grab 25% of replacement market

By Chuck Hawkins
Staff Writer

Add tire makers to the list of American industries now under siege by a ris-

Tire production plant sites in the Southeast


Union City
Nashville
LaVergne
TENNESSEE
N. CAROLINA
Wilson
Charlotte
Spartanburg
Greenville
Fayetteville
Tupelo
Huntsville
Gadsden
Tuscaloosa
Opelika
MISSISSIPPI
ALABAMA
GEORGIA
Lexington
S. CAROLINA
Natchez
Dothan
Albany

DALE DODSON/Staff

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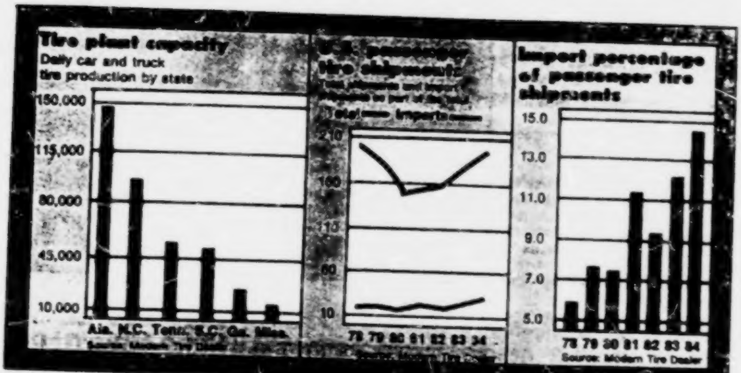


ing tide of imported products. One out of four passenger replacement tires sold in the United States in the first quarter of this year came from a foreign country.

Industry figures show that imports rose by 12 percent in the quarter to 8.1 million units, even though total shipments of 31.2 million replacement tires were down 3 percent from the same period a year earlier.

And aggressive pricing policies, particularly by Bridgestone Tire Co. and other Japanese and Korean tire firms, has forced U.S. tire makers to lower prices, reducing their profit margins from the $7.5 billion replacement tire segment.

The import replacement tire surge is expected to continue as long as the dollar remains strong. Indeed, industry trade journals are reporting that a growing number of "gray market" tires are coming into this country through other than official distribution channels.

Interestingly, the company reported to be suffering the worst gray market problem is Michelin Tire Corp., the French firm that made a splash in the United States by opening five plants in South Carolina and Alabama between 1975 and 1981 — just as the American tire marked soured. The parent firm posted big losses in the past three years, but still employs 3,000 persons in the U.S., making it the largest industrial employer in South Carolina.

In addition, the removal of Japanese car quotas will mean more Japanese tires coming here on new Japanese cars.

Tires sold to new car manufacturers account for about 30 percent of all U.S. tire production. If the total new car market doesn't grow, more foreign cars would consequently mean fewer U.S. cars will be made and fewer U.S.-made tires will be ordered as original equipment supplies.

Most open to exposure in that event would be General Tire Inc., the subsidiary of GenCorp Inc. that sells one-third of its output to Detroit, and Uniroyal Inc., the largest supplier to General Motors.

General operates a tire plant in Charlotte, N.C. and one of Uniroyal's three plants is in Opelika, Ala.

But there's more to the story than the simple loss of market share by domestic producers. Analysts say at least a third of the imported replacement tires were made in plants operated by subsidiaries of U.S. tire companies, where workers are paid less than their U.S. counterparts.

William R. Fair, director of public relations for Goodyear Tire and Rubber Co., the world's largest tire maker, said the company makes no apologies for importing Brazilian tires sold under its Lee brand-name marketing subsidiary.

"Goodyear is a global company. We have to be competitive with our competitors everywhere," Fair said. He added that his company feels it is best able to compete in the lower-cost commodity price target markets because it has spent more money than any other firm for research and process technology changes at its U.S. plants.

Depsite an apparent threat to domestic job security, United Rubber Workers union spokesman Curt Brown said the trend to what has come to be known as offshore sourcing wasn't a major bargaining topic in the recently completed negotiations that led to new three-year contracts with the major tire producers.

"I'm frankly surprised it wasn't a bigger issue in the talks. Goodyear is bringing in a lot of tires from Brazil and General and Uniroyal are utilizing their Mexican operations to a greater degree than they have in the past," said Bruce B. Davis, managing editor of Tire Business magazine.

After plummeting from 178,000 seven years ago to 100,000 during the 1983 recession, URW membership has been built back up to 130,000 workers, Brown said.

Continued ...

Still, there are signs that imports could soon begin exacting a renewed employment toll at U.S. tire plants, which in the last two decades have come to be concentrated in Alabama and five other Southeastern states.

Goodyear announced last week that it will furlough about 500 workers at its Union City, Tenn., radial tire plant by Sept. 1. Another 110 jobs were cut from the bias tire production line at Goodyear's Gadsden, Ala., plant, the largest tire-making facility in the country.

Firestone Tire and Rubber Co. operates the only tire production plant in Georgia, and spokesman James Strandberg at the firm's Akron, Ohio, headquarters said he knows of no plans for cutbacks at that plant.

Fair attributed the Goodyear layoffs to reduced demand for tires. Other U.S. tire makers also report softening demand, in sharp contrast to the boom experienced through most of 1984 when they couldn't make enough product to meet demand from car makers and consumers buying increasing numbers of replacement tires.

But Saul Ludwig, an analyst at Roulston & Co. Inc., points to another reason why domestic tire production could fall into a near-term slump: "Inventories are unusually high now. The tire companies built up their supplies in the expectation that there might be a long strike."

There have been no strikes, of course, and URW official Brown predicted there won't be any. Contracts expired on April 20 at the Big Four tire makers — Goodyear, Firestone, B.F. Goodrich Co. and Uniroyal — but all four agreed to the general terms of a new master contract calling for an estimated $2.32 an hour in base wage and cost of living increases over the next three years.

Brown said URW members were being paid an average of about $12.50 an hour in base wages under the old contract. Fringe benefits increased total compensation to between $18 and $22 an hour.

■ ■ ■

The U.S. tire industry today is considerably different than it was a decade ago primarily because of the near-total victory of the radial tire over the bias-ply tire.

As recently as 1979, bias tires still accounted for more than half of all tires sold. The market share for bias has since plummeted to an estimated 16.5 percent of tires sold in 1984, according to Modern Tire Dealer magazine.

The immediate effect of that switch was a bulge in unneeded bias tire production capacity, a situation that was exacerbated by the fact that foreign producers made their earliest and strongest inroads in the bias tire replacement market.

Tire makers responded by spending hundreds of millions of dollars to refit some plants for radial production. Fifteen plants were not as lucky, however; they were permanently closed. Firestone alone closed or sold six tire plants.

Tires companies also had no choice but to paint themselves into a corner by meeting the public's demand for radial tires. They simply don't wear out as fast as bias tires, and the demand gap is widening as tire makers come out with longer-lasting radial products yearly.

Imports accounted for only 7 percent of the replacement tire business 10 years ago, but that number has been steadily rising to the before-mentioned 26 percent in the first quarter of 1985. Further, U.S. tire makers grudgingly acknowledge that foreign competitors are close to and in some cases have matched them in quality in premium radial lines.

Besides Bridgestone and Michelin, other foreign tire firms with increasing shares of the U.S. market include Continental (West Germany), Pirelli (Italy) and Yokohama, Sumitomo and Toyo (Japan).

The upshot of those import market share increases, according to analyst Ludwig, is the bitter reality that the U.S. tire industry's shrinkage of its manufacturing base is not yet over.

"I believe there are at least six too-many tires plants in the U.S. — probably one at each of the six largest companies — and over the next two or three years those plants will have to close," he said in a speech delivered last week in Akron.

He also said the 11 manufacturers of auto and truck tires in the country "are just too many. Possibly five or six companies, in total, are all that is needed."

Bleak words indeed, but Ludwig also said U.S. firms are well positioned to maintain their leadership in the premium priced product segment. In particular, he cited Goodyear's Vector and Eagle brands, Goodrich's T/A line (made at the company's Tuscaloosa, Ala., plant), the Firestone Hawk tire, Armstrong Rubber Co.'s Treadloc brand and General Tire Co.'s XP-2000 tires.

That segment will account for no more than 35 percent of sales, however, according to Ludwig, who added that he thinks management and labor leaders need to take strong actions now to arrest the loss of U.S.-based market share in the dominant low-cost segment.

URW Public Relations
Department

the WING FOOT CLAN

Thursday, May 23, 1985

Tire imports up from 1984 first quarter

By Hank Ruppel

Tire imports continued to set records during the first quarter of 1985. Commerce Department figures show 8.11 million auto tires entered the U.S. in the first three months, topping the year-earlier period by 12.3 percent. January recorded the highest and March the third highest monthly totals ever.

Meanwhile, medium and heavy truck tires from overseas were up 18.6 percent and light truck tires 6 percent.

Radials dominated the auto and medium/heavy truck tire totals.

For all of 1984, the inflow of tires was the highest for any year in history, reaching 30.1 million auto units and 6.6 million total truck units. Spurring these high levels was a short supply of radials.

Although supply caught up with demand this year, there are three reasons foreign competition hasn't cooled off, according to Thomas F. Will, manager of management information:

- The value of the dollar remains high in relation to other currencies — giving imports a price advantage over tires made in the U.S.
- Demand for tires still is sluggish in many areas of the world.
- The U.S. is the largest tire market and the easiest to enter. Capitalizing on their price advantage, overseas producers, especially those in developing countries, continue to target on America.

South Korean marketers, for example, sharply increased their shipments of both auto and medium/heavy truck tires to the U.S. during January-March, closing in on Canada's No. 2 position behind Japan in both categories.

In the face of these trends, Will noted, imports are increasing their share of the U.S. replacement markets from the 21 percent reached last year in both auto and total truck tires.

Philosophy has made U.S. a mini-world marketplace

By James R. Smith Jr.
Assistant Editor

Nearly everything in this world, no matter how seemingly complex it is, is made up of basic, easily understood parts.

Water is nothing more than the end result of the joining of two natural gases. A mixture of minerals and time begets soil. Televisions and radios are little more than the taming of electrical currents via switches, capacitors and antennas. A political system is application of man's ideals to an organization for the common good.

The world tire market, however, is not so simply understood. Breaking it into its various parts does little to help an individual grasp the concept of the whole. Each unit can be divided time and time again, creating little more than subunits that are, at times, as puzzling and cloudy as the original concept.

The U.S. tire market, a smaller unit of the world tire market, is the perfect example of this. Politics, economics, foreign relations, trade quotas, attitudes, production costs and more all play a part, are all subunits.

What do these subunits have to do with the U.S. tire market? Everything, particularly when you view the U.S. market as it really is — domestic tire companies and foreign tiremakers doing battle for the same niches, the same customers, the same money.

Imports have become the largest single cause of change in the domestic tire industry. Foreign tire firms brought radial tires, new production and marketing methods, and a new pricing consciousness to these shores.

Gone are the days when the major domestic manufacturers were making nearly all their tires in Akron, competing against each other for sales of, by today's standards, low-tech tires. Today, some of the major domestic companies are having high-tech tires manufactured overseas for sales in the U.S., vying for sales in a broader, more price conscious market against literally dozens of other domestic and foreign tiremakers.

And where imports were once almost exclusively coming in from Europe, primarily from England and France, Far Eastern tiremakers are now bringing more tires into the U.S. than even those countries within the Americas.

Imports from the Far East totaled 13.8 million units in 1984, while European-made tires entered the U.S. to the tune of 9.9 million units. The Americas, Canada, Mexico and South America, sent 12.7 million units to the States. Asian nations, excluding the traditional Far East, but including India and the U.S.S.R., exported slightly more than 810,000 tires to the U.S., while Israel, Egypt and other Middle Eastern countries accounted for some 770,000 tires.

How dramatic has the growth of imported tires been? In the past five years, from 1980 through 1984, imports have grown from 15 million units, recorded in 1980, to 36.7 million units last year. At the same time, domestic production for the U.S. replacement market has grown by only seven million units, from 131 million units posted in 1980 to 138.2 million units last year. Imports now account for nearly 21% of the total replacement tire market in the U.S.

Trade deficits, a big thorn in the side of the U.S. government in its relations with domestic industries, will surpass the $125 billion mark this year, and certainly tires and automobiles make up a large part of that deficit.

In looking at the top countries importing tires to the U.S., comparing their import totals to the number of U.S.-made tires those countries accept, the U.S. is in deficit figures in each and every case. The Canadian/U.S. trade relationship shows the closest margin. Canada sent 7.38 million tires to the U.S. and took in 2.41 million U.S.-made units. Japan, the largest Far Eastern importer, delivered 6.43 million tires to the U.S. last year, but only 278,000 U.S.-made tires were sold to Japan, making for a dollar value deficit of some $163.4 million, or slightly more than 1/100th of the total U.S. trade deficit.

To some, particularly those who support "Buy American" plans and legislation, those numbers are not good ones. The U.S. economic philosophy, its laissez faire system, has permitted the U.S. marketplace to become a mini-world marketplace, however. The change, no matter how bad it may seem to some, has also brought with it new technology. Overseas manufacturers taught United States tiremakers the value of radial tires. Companies such as Dunlop, Continental, Fulda, Pirelli and Michelin instilled the now accepted importance of performance. And the Japanese, led by Bridgestone, Sumitomo, Yokohama, Ohtsu and Toyo, are even now showing U.S. tiremakers new, possibly more productive and efficient ways to manufacture tires.

Another reason behind the growth of imports as a part of the U.S. market lies in the strength of the U.S. dollar abroad. While many are pleased with the U.S. economic recovery, a stronger U.S. dollar leads to increased imports, primarily gray market tires.

A gray market tire is one bought by a U.S. dealer from a tire broker or wholesaler at prices far below those of domestically produced tires and, in many cases, of other imported tires. Many tire dealers, and certainly the major domestic tiremakers and the major foreign tire manufacturers, are concerned by gray market imports.

But when a U.S. tire marketer can get more tires for his money overseas, one can bet he will. Even that has left some importers upset.

Taurus International Inc. Executive Vice President George Kobza, whose firm markets Hungarian-made Taurus tires here, said the strength of the dollar has "confused the price structure.

"There is more and more spot buying and less program buying," he said. "There are no firm prices, either in domestically produced tires or imports, for any length of time. This is making it extremely difficult for us to come up with a program that satisfies the needs of our customers."

Kobza said it is a good market for those who can take advantage of it, who are flexible enough to make good use of the fluctuations, "but it is not for firms like us who are on a price structure.

"We could drop our prices, but that's not the way we want to operate. The only way to overcome this is to abandon the U.S. dollar as the contract currency (in making purchases overseas). We don't want to be bankers, however, or speculators on the currency market. We're supposed to be importers, but we're not anymore."

Mike Meldeau, president of Meldeau International Inc. which handles West German made Fulda tires, said if the dollar stays strong, the gray market will grow and will become increasingly hard to control. "The strong U.S. dollar influences imports more than anything, and that causes an imbalance in trade," he said.

"We watch the buying habits of Americans very closely," he noted, pointing out that "the age of the buying public, demographically, has changed dramatically. We see a tendency for American tire buyers to be more performance-minded. The poor U.S. economy in the last 10 years has caused tire companies to lose a large group of prospective customers.

"We're seeing a lot of people in their 30s and 40s getting the performance vehicles they wanted when they were in their 20s and 30s just 10 years ago." The poor economy of the mid-to-late 1970s prevented many of them from making such purchases, he said.

Both Fulda and Taurus enjoyed good sales years in 1984, as did Pneumant, an East German made tire marketed in the U.S. by Intersceptre Tyres Inc. "We're very optimistic for 1985," said Intersceptre President Jerry Holt. "The whole thing hinges on what the dollar does, of course."

A sales increase of about 40% is being forecasted by Inter World Trading Sales Manager Larry Allen, whose firm handles Danubiana and Victoria tires from Romania, Lassa tires from Turkey, Motorway tires from India, Tigar tires from Yugoslavia and Norway tires from Norway.

Allen pointed out that Tigar has ordered all new P-metric, American-size tire molds, looking to make more of an impact on the U.S. replacement tire scene. In addition, one of the other firms Inter World represents here is coming out with a "more modern light commercial truck, bias and radial line," and both changes contribute to Inter World's optimism.

While these marketers of smaller European brand tires are looking for an even more profitable 1985, certainly the larger tire companies, those with name impact such as Michelin, Continental, Semperit, Pirelli, Englebert, Ceat, Kleber and Vredestein — each of which has its own U.S. marketing arm — are also looking for a big year.

There is every reason to expect importers will have a good 1985. Perhaps the most important consideration lies in American buying habits.

Americans, long used to pinching pennies due to inflation, stagnation and recession, are still coming out of that state. Aside from performance-minded buyers and brand loyalists, a bulk of the tire-buying public still searches out the, if you will, least expensive and best buy for the money. Imports, more so with Far Eastern tire makers than others, are filling this large niche.

Customs dollar values, from the U.S. Bureau of Census, provide the biggest clue. Though the customs dollar value is not the final sale price of a product, the cheaper an importer can get the product, the lower the price the consumer will pay.

Far East leads world in shipments to U.S.
(in 1,000s)

Region	Total imports	$ value	Total exports	$ value
Far East	13,803.4	$589,266.9	366.8	$ 11,608.1
Americas	12,794.0	555,591.9	4,791.2	174,366.6
Europe	9,918.5	360,781.0	618.9	23,763.3
Asia	81.4	6,360.0	1.39	71.0
Middle East	77.3	6,407.0	287.8	10,690.5
Others	27.0	804.9	191.1	8,232.7
Africa	0.01	4.28	80.1	3,309.1

Source: U.S. Bureau of Census. Americas covers Canada, Mexico, all South America and adjacent island nations. Others covers Australia, New Zealand and Pacific islands. Asia covers all Asian nations not considered part of the Far East.

Average dollar value of imports vs. exports
(In 1,000s)

Country	Passenger	Light truck	Truck/bus
Japan	$26.65 vs. $ 29.86	$59.82 vs. $625.78	$131.52 vs. $ 78.67
Canada	$35.81 vs. $ 34.65	$61.23 vs. $ 42.66	$124.89 vs. $ 45.57
South Korea	$23.19 vs. $ 35.01	$49.17 vs. $ 72.31	$ 31.50 vs. $131.25
France	$26.20 vs. $ 30.89	$55.10 vs. $ 74.64	$131.93 vs. $145.45
Brazil	$20.56 vs. $132.50	$42.97 vs. $140.00	$121.40 vs. $243.33
W. Germany	$29.86 vs. $ 40.72	$95.70 vs. $ 61.06	$108.45 vs. $ 97.33
Spain	$28.25 vs. $ 42.84	$98.77 vs. $ 56.59	$147.31 vs. $134.60
Italy	$30.39 vs. $ 13.79	$87.34 vs. $ 41.12	$137.24 vs. $ 70.94
U.K.	$25.23 vs. $ 47.06	$86.00 vs. $ 55.87	$108.40 vs. $116.40
Czechoslovakia	$12.95 vs. $ 0.00	$56.63 vs. $ 0.00	$ 48.12 vs. $334.00
Mexico	$29.76 vs. $ 54.04	$77.25 vs. $ 43.69	$ 68.38 vs. $160.21
E. Germany	$13.44 vs. $ 0.00	$65.21 vs. $ 0.00	$ 65.89 vs. $234.40
Israel	$37.22 vs. $ 35.12	$94.79 vs. $ 0.00	$100.58 vs. $114.86
Taiwan	$18.24 vs. $ 35.92	$15.71 vs. $140.82	$ 33.69 vs. $136.78
Yugoslavia	$14.56 vs. $ 0.00	$98.27 vs. $ 49.73	$ 35.96 vs. $255.00

Source: U.S. Bureau of Census. Figures indicate the average dollar value (customs) of tires shipped to and from the U.S.

Continued

Imports as a % of U.S. replacement tire market
(in millions)

Year	Domestic units	Import units	Total units replacement	Imports as % of replacement
1980	131	16	147	10.88%
1981	129.5	22	151.5	14.52%
1982	138	19	157	12.1%
1983	137.6	25.9	163.5	15.84%
1984	138.2	36.7	174.9	20.98%

Source: U.S. Bureau of Census and MTD Facts/Directory. Figures represent the number of units shipped to U.S. replacement tire market, and includes passenger, light truck, truck and bus tires.

South Korean-made passenger tires posted an average dollar value of $23.19, while American-made passenger tires sent to South Korea carried an average dollar value of $35.01. The average dollar value of Japanese-made passenger tires was $26.65, compared to U.S. tires which carried an average dollar value of $28.86. West German-made passenger tires were valued at $29.86, on average, while U.S.-made tires entering West Germany had an average dollar value of $40.72. The list continues all the way down to Czechoslovakia's $12.90, Yugoslavia's $14.68 and East Germany's $13.44. (See accompanying chart.)

The price differences continue into both the light truck and truck tire categories. These average dollar values do not represent the prices charged by any individual tiremaker, but are the average dollar amount an importer pays for the tires, excluding freight and insurance costs. The average dollar value is derived by comparing the total number of units shipped from a country against the customs value of those tires.

For the most part, excluding the larger and more prominent foreign tire companies, imports are not a first line tire for American dealers. However, dealers can make a good profit on sales of import tires as a second or third line tire. Because of their low wholesale costs, even after freight charges, the retail price of the tires can be marked up to provide an excellent profit margin and still keep the prices very competitive with domestically produced products.

U.S. tiremakers have certainly shown some concern for the burgeoning import market. Goodyear, Firestone, Goodrich, Uniroyal and Cooper felt so strongly that South Korean tiremakers were undercutting their prices they filed an anti-dumping petition with the International Trade Commission, a petition presently under appeal.

While replacement sales in the U.S. are expected to level off this year, domestic manufacturers should still hold nearly 80% of the market. Technological advances, particularly in the performance tire market, should help bolster the domestic's hold in the U.S.

But what will the future bring in terms of the dollar's strength abroad? Will the U.S. economy continue to improve, allowing consumers more buying power, and, perhaps, allowing those consumers who still buy the "cheapest and the best," to more readily afford top-of-the-line domestically produced tires?

The complexities of the U.S. economy, of consumer attitudes, of foreign relations and more, present only one answer.

Only time will tell.

the WING FOOT CLAN
Akron Edition
The Goodyear Tire & Rubber Company
Thursday, February 7, 1985

Foreign-made tires rolling into U.S. in record numbers

Foreign-made auto tires came into this country in record numbers in 1984 — numbers that would have required 2.4 typical American tire plants to produce.

The estimated total for last year is 30 million units. This represents 6,200 jobs, the number that would be required to produce an equal number of tires at typical plants in this country.

In 1983, auto tire imports totaled 23 million. That was the equivalent of 1.8 typical American plants with 4,700 jobs.

The 30 million auto tires from overseas accounted for 21 percent of the U.S. replacement market, a share matched by truck tire imports.

Total foreign-made truck tires also hit a record level in 1984, spurting 44 percent to 6.5 million units.

In the medium truck category, volume reached 5 million units. A year earlier, 3,528,000 medium units were imported.

Imported light truck tires reached 1.5 million for the year vs. the 1983 figure of 1 million.

Radials accounted for most of the imports in both the auto and total truck categories.

Why the heavy competition from abroad?

Radial tire demand in excess of supply was a major reason last year, according to Dennis W. Rich, Goodyear's director of corporate planning.

"With the exception of Goodyear, U.S. tiremakers, burned by earlier overcapacity and caught by inflationary cost-of-living agreements that hurt competitiveness, have been reluctant to construct new tire plants," he said.

"Instead they have added some capacity by improving the efficiency of their production systems."

But even as supplies in this country ran short, sluggish demand in many other areas of the world gave foreign manufacturers the excess capacity they needed to fill the gap. Developing countries such as South Korea diverted production from traditional markets and increased output.

A majority of tires from South Korea went into the private brand market. To combat this attack, U.S. tiremakers, including Goodyear, increased private brand tire purchases from their foreign subsidiaries, Rich said.

And while all of this was going on, the value of the dollar held high in relation to other currencies — continuing to give foreign-made tires a price advantage over those made in America.

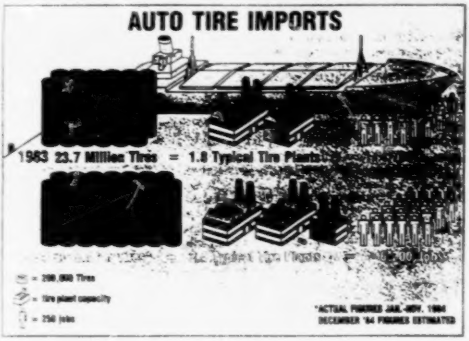
All of these factors combined to push total auto tire imports to a monthly record last July of 2.98 million units. October ranked second at 2.93 million units.

For the first 11 months of 1984, 27.8 million auto tires entered the U.S., 30.9 percent more than in the '83 period.

The major exporting countries were Canada and Japan, followed by South Korea and Brazil.

Light truck tire imports during January-November rose 60.6 percent over 1983 to 1.41 million units.

In medium and heavy truck tires, the 11-month import total was up 49.5 percent to 4.62 million units. Canada, Japan and South Korea were the leading exporters.


AUTO TIRE IMPORTS
1983 23.7 Million Tires = 1.8 Typical Tire Plants
= 200,000 Tires
= tire plant capacity
= 250 jobs
*ACTUAL FIGURES JAN.-NOV. 1984
DECEMBER '84 FIGURES ESTIMATED

AKRON BEACON JOURNAL Friday, January 25, 1985 URW PUBLIC RELATIONS DEPT.

imports/tires

Firestone exec gives warning on tire imports

By Doug Oplinger
Beacon Journal business writer

Imported tires are posing the greatest threat to the U.S. tire industry's profitability, according to Firestone vice chairman Leon Brodeur.

Brodeur

In a speech Thursday, Brodeur told about 400 Akron Rubber Group members that low-cost import tires, particularly from the Far East, "are putting severe cost and price pressure on the domestic tire market.

"Imports are setting the cost standards by which we American manufacturers must operate and pricing structure marketers must deal with," Brodeur said.

His comments are timely, because the major tire companies will enter master contract negotiations with the United Rubber Workers union later this year.

"For now, our industry's management must stifle the imports by reducing our costs and increasing our product quality," Brodeur told the group of chemists, engineers and marketers. "Until that challenge is met, we will continue to have supply imbalances resulting in price pressures in the marketplace."

He said the domestic manufacturers watched their tire profits decline in the United States in 1984 as tire prices slipped 1.3 percent. Prices declined another 2.4 percent a year earlier.

"Today, you can purchase a pair of tires at a price often below what we pay for a pair of shoes," Brodeur said. "And compare the complexity of making a tire and the necessary investment in capital equipment to what is needed to make a pair of shoes."

Brodeur said that even though the industry in 1984 experienced its best demand since 1979, there was an oversupply as imports increased their share of the market.

Imports have 20 percent of the market now, and that could rise to 30 percent by 1992, he said.

Brodeur said there will be no major changes in radial tires, just step-by-step refinements that will improve quality and reduce production costs.

Achieving improvements "will mean that our management, employees and unions must continue their willingness to accept changes. Making processes more efficient can mean employees will be moved to another type of job, or that in the long run, there will be fewer employees in our production operations."

In a meeting with reporters, Brodeur said Firestone will be looking hard at work rules in the next round of negotiations.

"Productivity gains — that's the area that we have to address," Brodeur said.

TIRE REVIEW, September 1984

Bob Eisentrout, BFG, on Korean tire dumping

Armstrong, Cooper, Firestone, BFGoodrich and Goodyear, on July 20, petitioned the U.S. Department of Commerce and the U.S. International Trade Commission to impose an anti-dumping duty on those tires equal to the amount by which the foreign market value exceeds the U.S. price for the tire. (See page 32.)

"In my opinion," Eisentrout said, "the marketers of tires in general are the dealers themselves. Manufacturers aren't really much in terms of marketing.

"Dealers throughout this country, because they are multi-branded dealers, buy from various suppliers. It doesn't take much in our industry, not many tires, for someone to come in from overseas or any place, and suddenly put some very low prices into the marketplace," says Eisentrout.

"There is a tremendous communications network among dealers out there," Eisentrout says. "As soon as someone makes one deal, that information is around the country in less than 24 hours and the pressure is on other suppliers to meet that price."

"Someone always capitulates. The moment they do that, it triggers almost a pricing war. What choice is there when the dealer says, 'I'll buy all my tires from somebody else'?

"There's not a great deal of pricing sense in the tire business, but you can look back to serious low pricing occurring about a year ago last January. It doesn't take a lot of tires to have that happen, but it happens," says Eisentrout.

But who's really at fault, the Koreans, or the tire dealers who want to make a quick buck? Tire Review asked.

"You've got to say, how can you point to the dealers, because after all if you were the dealer you'd be in business to make money. That's why he's out there. And if he has that opportunity, and turns it down, someone else is going to do it. That's human nature.

"Our industry works that way. Our industry seems to be one that, as soon as something like that happens, everybody starts jumping. It's unfortunate, but that's the nature of the business."

Are you looking for protectionism? Tire Review asked.

"No, not at all. But you have to be careful that you don't have a situation of dumping. There's evidence that these tires are being sold in this country at far below what they're being sold for in Korea.

"This industry has to react and be tough. We're not going to sit back and lose the total market, as we've seen occur in other markets," says Eisentrout.

"But I see no reason we can't compete. In fact, we're going over and competing in a hell of a tough way in countries right now at a big disadvantage, but we're competing. I don't want to start that sort of thing about protectionism.

"I'm told that this is a case of tires being sold at half the cost that they're being sold for in Korea. If they say they're going to compete, then they should compete within the law."

Robert A. Eisentrout

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Circle 41 on Service Card

Mr. **Levin**. Excuse me. Let me just ask you, we do not have any time to go into depth.

Mr. **Clem**. OK.

Mr. **Levin**. Your testimony states the increase in imports has risen from 8 to 21 percent in 10 years. Would you say the majority of the imports—the increase of 13 percent, which is rather dramatic, has come from subsidiaries of American companies?

Mr. **Clem**. No. They come from independent——

Mr. **Levin**. I see. Subsidiaries of American companies?

Mr. **Clem**. No; most of it is coming from independent foreign suppliers.

Mr. **Levin**. So, there is an outsourcing, but also there are lots of imports coming from companies that are—well, if you have some further information on that, I think it would be useful.

As Marcy Kaptur said, so much is happening in all of these fields, but going to the point that was made by Mr. Gundersheim, there is a lot of bitterness. But I think the public generally still does not have a lot of knowledge as to the threat of this phenomenon.

I think it is seen in a kind of an antidotal way by people, friends or whatever, but when you talk about deindustrialization, I do not think most of our country yet knows what we are talking about. And I think one of the important factors of this hearing, and others, is to try to dramatize what is really going on in our country, and then we need to engage people who may disagree with us as to whether that is bad or good, because I think the administration is not inert to a situation it believes is critical. It is inert to a situation which it really thinks it is probably better than it is worse. I think that is the problem.

Thank you, Don. I will not be able to stay, and I just wanted to tell you again how important your leadership is, and I appreciate working with you at 8 a.m. in the morning, whether it is in Washington or Loraine, OH. I did not quite make 8 a.m., though.

Mr. **Pease**. Well, thank you very much, Mr. Levin.

I would like to thank all of our panel members. It has been an excellent panel.

And we will now call on our next panel which includes State employment security officials from Michigan, Pennsylvania, Minnesota, and Ohio. We will have Roberta Steinbacher, Joan Hammond, Doug Bright, Powell Cozart, Jan Urban-Lurain, and Amos Haynes.

Well, our first witness is Roberta Steinbacher who is the administrator of the Ohio Bureau of Employment Services. She is accompanied by Joan Hammond, the Ohio administrator for the Job Training Partnership Act, and by Doug Bright, former Ohio administrator of the TAA Program.

Dr. Steinbacher has another responsibility. She is going to have to rush out of here very soon. I realize that. And we appreciate her coming this morning, and we will give her a chance to make this statement and if she has to leave, we will try to retain Ms. Hammond and Mr. Bright to take all the tough questions from the testimony.

So, we welcome you, Dr. Steinbacher, and look forward to your testimony.

STATEMENT OF ROBERTA STEINBACHER, ADMINISTRATOR, OHIO BUREAU OF EMPLOYMENT SERVICES, ACCOMPANIED BY JOAN HAMMOND, JOB TRAINING PARTNERSHIP ACT ADMINISTRATOR; DOUG BRIGHT, FORMER TAA ADMINISTRATOR; AND DICK FLORE, UNEMPLOYMENT COMPENSATION DIRECTOR

Ms. STEINBACHER. Thank you, Chairman Pease and members of the committee, for the opportunity to speak to you today about a matter of great importance to all of us here, as well as to thousands and thousands of Ohio workers.

We cannot overstate the impact of the foreign trade problem on the job situation here in Ohio, and in this county.

We have lost thousands of jobs in key industries, steel, machine tools, automobiles, and the others that you heard about this morning. These lost jobs and resultant lost income have caused additional job losses in other sectors.

Over the long term, this translates into the loss of our young people and our skilled workers, who may be forced to leave Ohio in search of better opportunities. We cannot afford to lose these workers of today and tomorrow. We need each of them in Ohio as we continue to build our economy.

It is obvious that the causes of the high dollar values and the international trade problems are largely beyond the control of our individual workers, our employers, and our State and local governments.

We have worked together here in Ohio to improve productivity and to market our products overseas only to see the fruits of our efforts wiped out by national fiscal and trade policies, and economic advance in other countries.

At the State and local level, we are left the problems of unemployed workers, and the struggling employers.

The Trade Adjustment Assistance Program has provided help for these workers in the area of retraining, reemployment and extended unemployment benefits.

Since April 1982, the Trade Adjustment Assistance Program has provided more than $11 million in retraining funds, which translates into about 3,800 individual training agreements.

Trade Readjustment Allowance Benefit Payments have totaled more than $17 million statewide since January 1982.

Here in Lorain, former United States Steel workers received more than $2 million in TRA unemployment benefits, and more than 1,500 workers have been funded for retraining.

In addition, Job Search and Relocation Benefit Payments, totaling more than $186,000 under the program, went to more than 100 former U.S. Steel employees.

As you know, the Federal Government reportedly claims that title III of the Job Training Partnership Act will serve the same population, dislocated workers.

Ohio needs the resources of both the Trade Adjustment Assistance Program and title III of the Job Training Partnership Act to deal with the vast number of Ohio workers who remain dislocated from industries which are not recovering, such as the steel industry.

It is important to note that TRA benefits are not available under the Job Training Partnership Act and are our most basic resource necessary to retrain dislocated workers successfully while maintaining some economic stability in the local economy.

Significant barriers exist at this time, as you heard this morning, to delivering program benefits and services.

During Federal fiscal year 1985, Trade Act appropriated funds do not contain administrative dollars to operate the TAA Program.

These costs must be absorbed within the State's already reduced unemployment insurance base budget. In addition, this fact was not made known to us in the States until late December 1984 when significant administrative program costs had already been incurred.

When one considers that the unemployment insurance base budget for Ohio was reduced by $4.3 million the past 2 fiscal years, and that the bureau of employment services is facing a $2.9 million operating deficit as a result of those cuts, it is clear to see that it would be difficult to absorb any additional costs in this program.

On July 18, 1984, the Deficit Reduction Act became law. Contained within that legislation were increases in TAA benefit entitlements requiring regulations to be prescribed by the Secretary of Labor.

It has taken fully 9 months to get proposed rules published in the Federal Register. If the Trade Act is not extended past September 30, 1985, this delay will have effectively prohibited workers from receiving the full extent of the benefits which the legislation was intended to provide.

Since the act was amended by the Omnibus Budget Reconciliation Act of 1981, no final Federal regulations have been issued by the Department of Labor.

In addition, Manpower Administration Handbook No. 315, the Federal TAA/TRA Operating Procedure, has not been updated to comply with the 1981 amendments to the Act.

Finally, State agencies have not received timely responses, or in some cases, any response to requests for technical assistance. Our agency is still awaiting a written response to questions submitted to the Department of Labor, regional office, last November.

In spite of these obstacles, Ohio has historically utilized this program very effectively for its dislocated workers. In fact, we have been consistently ranked within the top three States for delivery of program benefits.

Ending this program would remove one more essential tool in rebuilding Ohio's economy.

Thank you, Mr. Chairman, again, for all you have done for dislocated workers in this State, and for giving us this opportunity to comment on this vital program.

As you mentioned, several members of my staff are here, including our unemployment compensation director, Mr. Dick Flore, who was not on the list.

Thank you very much.

[The prepared statement follows:]

STATEMENT OF DR. ROBERTA STEINBACHER, ADMINISTRATOR, OHIO BUREAU OF EMPLOYMENT SERVICES

Good morning Congressman Pease and committee members. Thank you for the opportunity to speak with you today about a matter of great importance to all of us here as well as thousands of Ohio workers.

It is difficult to overstate the impact of the foreign trade problem on the job situation in Ohio and here in Lorain. We have lost thousands of jobs in key industries—steel, machine tools, automobiles, and many others. These lost jobs and resultant lost income have caused additional job losses in other sectors.

Over the long term this translates into the loss of our young people and our skilled workers, who may be forced to leave Ohio in search of better opportunities. We cannot afford to lose these workers of today and tomorrow; we need each of them as we continue to rebuild Ohio's economy.

The trade problem has several sources, each with its own causes. The most obvious source is the high value of the dollar, spurred by high U.S. interest rates and the federal budget deficit.

At the end of April, the dollar was 78 percent higher in average value than in the summer of 1980 (trade-weighted value against trading partners currencies). This means that U.S. goods are 78 percent more expensive on the world market, and foreign products are proportionately cheaper in the U.S., solely because of changes in the currency values.

The impact on Ohio has been significant. A recent report by Data Resources, Inc., suggests that Ohio lost more than 73,000 manufacturing jobs between 1980 and 1984 solely because of the appreciation of the dollar. These losses came at the same time Ohio was suffering through two recessions, including the most severe recession since the 1930s.

Continued high dollar values have slowed our recovery. Our own data show that Ohio lost about 600,000 jobs during the 1979–1983 period, including 370,000 manufacturing jobs. Since the low point of the recession in February 1983, we regained about one-half of all jobs lost and only about one-fourth of the manufacturing jobs lost. Ohio's unemployment rate remains at a high 9.0 percent (April).

In addition to the dollar value, there are other causes of the trade problem. Foreign markets are often not as accessible to U.S. businesses as our markets are to foreigners. We are also seeing slow economic growth in countries which are major markets for U.S. goods, particularly Western European countries, further dampening the demand for U.S. exports.

Countries which sell in U.S. markets, particularly those in the Far East, are expanding their production for export, contributing to lower prices for goods reaching our shores. Finally, in some industries, the competitive position of U.S. manufacturers needs to be improved by capital investments and introduction of new technologies.

It is obvious that the causes of the international trade problem are largely beyond the control of individual workers, employers, and state and local governments. We have worked together to improve productivity and to market our products overseas only to see the fruits of our efforts wiped out by national fiscal and trade policies and economic events in other countries. At the state and local levels, we are left with the problems of unemployed workers and struggling employers.

The Trade Adjustment Assistance Program has provided help for these workers in the area of retraining, reemployment and extended unemployment benefits.

Since April 1982 the Trade Adjustment Assistance Program has provided more than $11 million in retraining funds which translates into almost 3,800 individual training agreements. Trade Readjustment Allowance Benefit payments have totalled more than $17 million statewide since January 1982.

Here in Lorain, former United States Steel workers received more than $2 million TRA Unemployment Benefits and more than 1,500 workers have been funded for retraining. In addition, Job Search and Relocation Benefit Payments totaling more than $186,000 under the program went to more than 100 former U.S. Steel employees.

The Administration in Washington wants to allow the program to expire this September, reportedly claiming that Title III of the Job Training Partnership Act will serve the same population of dislocated workers. Ohio needs the resources of both the Trade Adjustment Assistance Program and Title III of the Job Training Partnership Act to deal with the vast number of Ohio workers who remain dislocated from industries which are not recovering such as the steel industry.

It is important to note that TRA Benefits, the extended unemployment benefits that enable a worker to attend retraining, are not available under the Job Training

Partnership Act and are a most basic resource necessary to retrain dislocated workers successfully while maintaining some economic stability in the local economy.

Significant barriers exist at this time to delivering program benefits and services. During Federal Fiscal Year 1985, Trade Act appropriated funds do not contain administrative dollars to operate the TAA program. These costs must be absorbed within the state's already reduced Unemployment Insurance base budget. In addition, this fact was not made known to the states until late December 1984 when significant administrative program costs had already been incurred.

When you consider that the Unemployment Insurance base budget for Ohio was reduced by $4.3 million the past two fiscal years and that the Bureau of Employment Services is facing a $2.9 million operating deficit as a result of those cuts, it is clear to see that it would be difficult to absorb additional costs.

On July 18, 1984 the Deficit Reduction Act became law. Contained within that legislation were increases in TAA benefit entitlements requiring regulations to be prescribed by the Secretary of Labor. It has taken fully nine months to get proposed rules published in the Federal Register. If the Trade Act is not extended past September 30, 1985, this delay will have effectively prohibited workers from receiving the full extent of the benefits which the legislation was intended to provide.

Since the Act was amended by the Omnibus Budget Reconciliation Act of 1981, no final federal regulations have been issued by the Department of Labor. In addition, M.A. Handbook No. 315, the Federal TAA/TRA Operating Procedure has not been updated to comply with the 1981 amendments to the Act.

Finally, state agencies have not received timely responses or in some cases, any response to requests for technical assistance. This agency is still awaiting a written response to questions submitted to the Department of Labor regional office last November 16.

In spite of these obstacles to effective program delivery, Ohio needs a national Trade Adjustment Assistance Program to continue to retrain and reemploy its workers in a changing world economy at a time when the U.S. trade deficit is the highest in this country's history.

Ohio has historically utilized this program very effectively for its dislocated workers. In fact, we have been consistently ranked within the top three states for delivery of program benefits. Ending this program would remove one more essential tool in rebuilding Ohio's economy.

Thank you, again, for giving us the opportunity to comment on this vital program. Several members of my staff are here to answer any technical questions you may have about program operation or benefit delivery.

Mr. PEASE. Dr. Steinbacher, I thank you very much. I know that you have to run off. Let me just take a minute before you do and say two things. I thought your testimony was superb, just excellent.

Ms. STEINBACHER. Thank you.

Mr. PEASE. And I hope that those in the audience and the media present will pay particular attention to your testimony because it points out what is literally the truth, and that is that Ohio has an outstanding record of utilization of TAA, and that is, I think, very largely because of the leadership of yourself and your associates, you have struggled in the face of great odds with the U.S. Department of Labor trying to make this program work.

One hesitates to think how many more unemployed workers that need retraining we could have served if the Department of Labor had been even half as dedicated to trying to make that program work as you have been in the Ohio Bureau of Employment Services.

So, I want to congratulate you for your efforts and thank you for pointing out what needs to be done.

You mentioned that there are no administrative dollars this year at the Federal level.

You have to squeeze the administration out of your own limited funds at the State level.

This is but one more example of the efforts of the Department of Labor to sandbag this program and make it not work so they can come to Congress and say; We don't need this program because it really is not working.

As I said before, because of the dedication of you and your associates, you have proven that TAA does work and does provide a very valuable service for workers in Ohio, and I want to thank you and commend you for that.

Ms. **STEINBACHER**. Thank you, Congressman.

These great people—OBES witnesses—I am going to leave in your hands, they do all that. Thank you very much.

Mr. **PEASE**. Thank you.

I think we will go down in order now and hear from the other witnesses.

I should mention that it is the intention of the subcommittee to continue the hearing to conclusion right through the lunch hour.

Next is Joan Hammond, who is the Ohio Administrator for the Job Training Partnership Act.

Ms. **HAMMOND**. Mr. Chairman, I'm delighted to be here with you also today.

I think we decided that Dr. Steinbacher speaks very well for our whole team, and there was really no reason for either myself, or Doug Bright, or Dick Flore, who are with me today, to comment further.

We will be here to answer any of your questions. And, I, particularly, will hope to deal through the question and answer period with some of the important relationships between the Job Training Partnership Program and TAA, and talk about the kind of range of economic development tools in the employment and training arena that we need.

So, I'll pass.

Mr. **PEASE**. OK. Well, that's great.

Believe me, we have lots of questions for you. We will keep you busy and make you feel you have invested your time well.

Let's move, then, to Pamela Cozart, director of the Bureau of Employment Services, Michigan Employment Security Commission.

STATEMENT OF POWELL L. COZART, DIRECTOR, BUREAU OF EMPLOYMENT SERVICE, MICHIGAN EMPLOYMENT SECURITY COMMISSION

Ms. **COZART**. Thank you, Mr. Chairman. I am Powell Cozart.

Mr. **PEASE**. Oh, what did I say, Pamela?

Ms. **COZART**. It's typical. That's quite all right.

And I, too, am delighted to be here. I want to introduce, to my left, a staff member, Jeanette Sancricca. Jeanette is in charge of the technical—all the technical aspects of TAA for Michigan, so I wanted to be sure that you were given correct answers in case it became too technical.

I also want to tell you how nice it is to be here with you and to know of your interest, and to be able to meet Congresswoman Kaptur. Since Toledo and Michigan and the Monroe area are so close, I think I am going to adopt her along with the boundary.

It is great to be able to testify in front of our own Congressman Levin, in that this gives us an opportunity to thank him for his valiant efforts last year in introducing and getting passed the $37 million, which we are still trying to get, for the very much reduced Job Service budget.

A number of the areas have been covered in my testimony, so I will tend to skip around to try to not be too repetitive.

But, as most of you know, during the period of 1979 through 1984, we, in Michigan, were able to offer through TAA the only glimmer of hope to tens of thousands of individuals who were affected by plant closings and reductions in the auto and steel industries.

As has been indicated here before, it is very clear this whole region—Ohio, Pennsylvania—and our not desired name, but certainly we are well known as the rust belt—was the area which was primarily affected and the hardest impacted by these reductions and the imports.

In the years of 1979 through 1984, we extensively made use of the TAA Program. In that period, over 364,000 claims were filed for benefits, and over $1.2 billion UI benefits paid.

During that period, we were able to work with and service in excess of 22,500 individuals for training. Of those, however, most had to end up paying for their own training because of the changes in the act.

In fact, there was over 17,000 of those individuals who had to provide their own resources in order to go through training.

We tried to deal with the problems of notification, which I heard a lot of the individuals mention, that they did not know about the program.

We went through extensive efforts to make sure that the eligible individuals knew about the program. Among those efforts we had questionnaires that the claimants had to complete when they filed for claims, UI claims, to indicate whether they felt they had a need for training and other assistance, relocation, job search, et cetera.

We also paid for publications in our major newspapers—again, to try to get the information across.

Another method we used was working with the labor unions. I was sorry that Leonard Paige had to leave, because he was one of the key persons that we had called. We also had a meeting with UAW and AFL, although there were few members of the AFL approved due to fact that the suppliers and the transporters, et cetera, not being included under the act.

But we asked for their assistance in publishing in their papers, et cetera, this kind of information, as well as preparing, in very short order, little brochures and handouts for the claimants.

All those efforts, however, were on our own initiative. These were not the kinds of technical assistance that you normally get through a U.S. Department of Labor program. The States did have to go through their own devices and use their own resources in order to take this action.

The figures that I mentioned are really just partial representations of the many, many workers who needed assistance. The reason we were not able to provide assistance to others is because, as has been indicated earlier, the funds from the U.S. Department of Labor were either not available or the funds that were available were so restricted that individuals, unless they filed in a particular period of time, turned out not to be eligible.

Then, when you did get the funds, the timeframes within which you had to provide the services were so restrictive that it was almost impossible to reach the individuals you wanted to serve.

We, in Michigan, made a number of appeals for additional training and relocation funds, which were denied during that period. We felt that we were certainly eligible to be allocated funds. They were available in terms of appropriations.

We felt that we had about 40 percent of the total population at that time of TAA eligible claimants in the whole United States, and, as such, that we were due additional consideration, but, again, it just didn't happen.

One of the many, many frustrations in trying to administer the program—I have gone into that, really, just to illustrate the administrative nightmares that we have had in the TAA Program.

I have personally been involved in training programs and have worked with programs wherein the Job Service has been agent for the U.S. Department of Labor for many, many years. And it's not very difficult to say that, if this is not the most difficult to administer, seemingly by design, it is certainly near the top and it does not have to be that way.

One of the major problems, as Dr. Steinbacher mentioned, is administrative funds. There is no way you can administer a program of this magnitude with the funds being allocated at the whim of the U.S. Department of Labor.

And, if, indeed, the program is extended, one of our recommendations is that the legislation make note of administrative responsibility and not leave that up to the discretion, or what have you, of the U.S. Department of Labor.

We, in Michigan, have been fortunate in the last year in that the economy appears to be very strong at this point, and many of the workers, who were displaced earlier, have returned to work.

We realize that a lot of States don't feel that TAA may be necessary because they have not gone through what we have gone through—the Ohio's, and the Pennsylvania's, and the Michigan's, and the California's.

But we have had that experience, and we have no certainty that this will not reoccur. Because of that, we are certainly recommending that this resource be left intact, and that the act be reauthorized to be a resource and a tool for those States, for any State, which might need it in the future.

We submit that the Job Training Partnership Act, with all of its good points—and Ms. Janet Urban-Lurain is from that program—and we are working very closely with them, and feel like it is a very worthy program, but there are certainly a lot of restrictions that they are battling under, Dan, and Joan, and others. But it cannot, as one of the other persons testified—replace the TAA for a number of reasons:

One, the resources are not adequate to provide services for those which need it. And, two, the type of assistance that is available through TAA is not available through the JTPA, that of continuing some kind of income support, which has proven to be certainly one of the difficult parts of administering JTPA, for relocation, and job search allowances.

We think it is rather unrealistic, and not even fair, to expect a Governor of a State to use the scarce resources allocated under JTPA to export skilled employees to other areas. This is something that should be handled under TAA. As we have all mentioned, the displaced persons are such because of the imports. This is not a State situation, and it is not something that is subsequent to a State action. It's a Federal policy that's causing it, and we feel the Federal Government and its resources should take care of the problem.

Again, as I say, there have been a lot of excellent testimony presented here today, and we certainly urge that the legislation be reauthorized, but there should be some changes.

One of the additional changes that I would urge was mentioned also by panelists is that the training not continue to be a privilege, and that the training itself becomes an entitlement, as is job search and relocation.

I am sure that you, Congressman Pease, and others, know that the UAW has certainly tried to get this a part of the current legislation, and had lawsuits, which appeared initially to be successful, but then were overturned, wherein training continues as a privilege.

We would urge that one of the changes instituted in new legislation would be to resolve that problem.

Thank you very, very much. It has been very enjoyable. I especially enjoyed the testimony of the trainees, because we all know this side of the fence and have a lot of difficulties and frustrations, but to see those successful trainees certainly demonstrates that the program—if given a chance and if given the right resources—could benefit the entire public.

Thank you very much.

Mr. PEASE. Thank you, Ms. Cozart.

[The prepared statement follows:]

STATEMENT OF POWELL L. COZART, DIRECTOR, BUREAU OF EMPLOYMENT SERVICE, MICHIGAN EMPLOYMENT SECURITY COMMISSION

I am Powell Cozart, Director of the Bureau of Employment Service, of the Michigan Employment Security Commission. I am pleased to have been given the opportunity to testify on the need for an extension of the Trade Act.

The Trade Expansion Act of 1968, and the successor Trade Act of 1974, were written with the express purpose of fostering economic growth in the United States through increased international trade, while providing safeguards for American industry and workers. Industries, firms, workers, and communities adversely affected by trade agreements entered into by the President were to be provided certain measures of relief.

Now, our primary responsibility at the Michigan Employment Security Commission is with the relief provided to workers who are totally or partially separated from their jobs as a direct result of imports, affecting their employment.

During the period of 1979 through 1984, the monetary benefits, as well as the retraining benefits provided by the Trade Act, were about the only glimmers of hope many tens of thousands of our autoworkers and steelworkers had. This was not just in Michigan, but was the situation in many other states across the nation. The midwest, or so-called "rust belt states," was among the hardest impacted.

In the years 1979 through 1984, the Michigan Employment Security Commission, as the State's Trade Act administrative agency, provided the following benefits and services:

TRA Claims Filed	364,559
Benefits Paid	$1.2 billion
Job Search Requests Approved	1,187
Job Search Allowances	$ 184,315
Relocation Requests Approved	1,109
Relocation Payments	$ 737,723
Individuals Entering TA Financed Training	5.097
Institutional	(4,722)
OJT	(375)
Individual Entering Self-Financed Training (Received extension of benefits while in Training)	17,460
Obligated to Training	$9,866,427
Institutional	($9,155,382)
OJT	($ 711,045)
Petitions Filed for Approval	1879
Approved by Dept. of Labor	255

With the exception of the TRA Claims Filed and Benefits Paid, the above figures only partially reflect the service needs of those workers displaced as a result of foreign imports.

The demands for training, job search, and relocation services during the 1979-1984 period were far greater than the 7.000 who received Trade Act financed services or the 17,460 who paid for their own training would indicate. When the demand for services was at its greatest point in 1980 and 1981, the funds from the U.S. Department of Labor were either not available, or the funds that were available were restricted to individuals who had filed before or after a certain point in time.

When funds were made available, again there were restrictions, and often very tight time frames in which the money had to be committed. A number of requests for training and relocation funds were made to the U.S. Department of Labor in 1979 and 1980, which were denied. When funds finally were made available, it was very near the date on which many thousands of workers would lose their Trade Act eligibility. It was virtually impossible to contact all of these workers; hence, many training opportunities were lost.

We go into the background only to illustrate that the administration problems associated with Trade Act prevented state agencies, such as the Michigan Employment Security Commission, from meeting the demand for services that actually existed.

If there were some real assurances that this demand would not recur, Michigan would probably not be here testifying today. However, with the intense interrelationship between the Michigan economy and the automotive manufacturing industry, we have to be concerned about imports again displacing hundreds of thousands of workers.

Currently, the economy appears to be strong. The automotive industry recently reported record profits. Companies have again started to hire new workers. The Administration, however, has just lifted the Japanese import restrictions, and the full effect of that action will probably not be known until 1986 or 1987.

This uncertain future is what has us in Michigan worried, and why we feel that the Trade Act should be extended. In the event of another massive dislocation of workers - whether they be automotive, steel, electronics, furniture, or clothing - there is a need to have legislation in place to assist the workers.

The federal Administration has recommended that the Trade Act be allowed to expire on September 30, 1985. The argument is that Title III of the Job Training Partnership Act - which specifically addresses the issue of dislocated workers - will accomodate any needs of workers displaced by imports or changing technology.

The Michigan Employment Security Commission submits that the Job Training Partnership Act, Title III funds and structure, are, and would be, inadequate to contend with the unemployment and training needs that could result from a major importation of particular product or products. The effects of future imports on the nation's economy, and on the lives of the nation's workers, cannot be predicted at this point.

JTPA gives the authority and responsibility for Employment and Training Programs to the individual states. As state-run programs, the various scarce resources available must be allocated to provide the maximum benefit for the state, not the individual.

In the event of a major import crisis, something beyond the control of any state, there would have to be a mechanism available that would assist workers to relocate to other areas of the country where their skills would be in demand. It is unlikely that any state-driven program, such as JTPA, would commit Dislocated Worker resources to "exporting" part of its skilled work force to other states.

For retraining those individuals who are displaced due to imports, a very real obstacle in the JTPA legislation is the prohibition of income maintenance payments while these individuals are in training. Even if a group of displaced workers were able to secure a commitment of training from the JTPA agency, they would be faced with the barrier of needed living expenses while they were attending training.

In theory, regular Unemployment Insurance benefits should provide the income while an individual is in training. In practice, this does not work.

Workers are reluctant to believe that their jobs are really gone. Usually, it is only after many weeks, and usually months, that workers reach the realization that they will not be called back by their employer. By the time this realization is made, and individuals start exploring alternatives and options that may be open to them, their entitlement to Unemployment Insurance

With just JTPA, a worker displaced by imports would only have state U.I. benefits of 26 weeks for income maintenance. Under TRA, a worker could have as much as 78 weeks of combined UI-TRA benefits if attending approved training.

The answer, as I've said before, is a federally legislated and financed Trade Act. The current Act could be amended to avoid some of the abuses and many of the delays that were experienced in the mid-1970s and early 1980s, but the legislation is needed.

The need is there: if federal trade policies are instituted that cause American workers to be unemployed, then it is a federal responsibility to see that every effort is taken to make these workers whole.

Mr. PEASE. We would like now to ask for testimony from Jan Urban-Lurain. It's pretty close to "Lorain."

She is the director, Governor's Office for Job Training, State of Michigan.

STATEMENT OF JAN URBAN-LURAIN, ASSOCIATE DIRECTOR, GOVERNOR'S OFFICE FOR JOB TRAINING, STATE OF MICHIGAN

Ms. URBAN-LURAIN. Thank you very much, Mr. Chairman.

I am associate director for the Michigan Governor's Office for Job Training.

One of the responsibilities of the Governor's Office for Job Training is the management of the Title III Program of the JTPA.

In that effort, we work very closely with the Michigan Employment Security Commission, which, as Ms. Cozart has explained, administers the Trade Adjustment Act activities.

I am here today to underscore Ms. Cozart's comments, and to focus just for a few moments on the negative impact of the shifting of the TAA responsibilities to the JTPA, title III, which is proposed in the administration's budget.

You have heard very eloquently this morning, perhaps more eloquently than I can state, how our major industries are undergoing fundamental restructuring in response to changing technologies and to severely intensified foreign competition.

And, as Powell noted, the result in Michigan in recent years has been excellent sales, but we are very aware that this restructuring of our major economic-based industries in Michigan has meant that these sales are being achieved with fewer Michigan workers, fewer Michigan suppliers, and fewer Michigan plants.

And I know that thousands of Michigan workers have no hope of returning to their previous jobs.

During the past few years, we in Michigan have come to understand the challenge and the urgent need to respond to worker dislocation. And as we have heard repeatedly this morning and this afternoon, when plants close, mamy thousands of productive individuals suddenly—very suddenly—find themselves without adequate skills to find another job, or the resources to support their families during that period.

The most recent estimate by our colleagues at the Michigan Employment Security Commission is that in Michigan we have 216,000 workers that are dislocated yet now and still without jobs, despite the fact that we are at the peak of economic growth in the business cycle in our state.

The enactment of the Trade Act, and the more recently JTPA, title III, has provided Michigan with the only federal resources targeted to respond to the needs of these individuals.

And with these resources we have begun—and I want to underscore "begun"—to cope with the retraining problem we face in Michigan.

Probably the most serious danger of the potential merging of Trade Adjustment activities into JTPA, title III, is that it would simply have the net effect of slashing already inadequate funds to meet the retraining challenge that we face in Michigan.

At current funding levels, Michigan received, by formula, about $11 million annually under JTPA, title III. That allows us to work with about 10,000 workers per year, which is a small dent in the total of 216,000, the current figure.

And I should note that if the administration's budget proposals for JTPA in the future are adopted, this funding could be cut in half in the next 12 months, which would give Michigan $5 million with which to address its dislocation problems.

The loss of the Trade Act would also mean a substantial loss of services, and I believe Powell spoke to this very eloquently in her presentation, as well as some of the other panelists, because JTPA, title III, has inadequacies.

One of the major inadequacies is that funds are fundamentally training dollars, which is fine, but it does not provide for income support, which is a critical difference in the two programs.

And, as we heard the trainees speak to us earlier today, and as we may have experienced in our lives, individuals who have been in the work force cannot afford to go into retraining programs if they are unable to meet basic survival needs for themselves and their families.

Finally, I might note that recent history demonstrates that the risk of trade-based dislocations in Michigan, and in other parts of the country, remain serious. For example, no one is still sure of the unemployment impact of the recent decision by the President to end import quotas for automobiles.

Michigan, and its work force, has clearly been experiencing severe economic and personal transitions. And I reiterate that we face a long-term challenge in Michigan. The problem is not going away.

Both the TAA and JTPA, title III, are key resources to success in the process of overcoming this transition and getting to the other side, and both should be continued without reduction.

Thank you very much.

Mr. PEASE. Thank you very much. That was excellent testimony as well.

Our final witness on this panel will be Amos Haynes, assistant commissioner of economic security, Minnesota Department of Economic Security.

Mr. Haynes.

STATEMENT OF AMOS HAYNES, ASSISTANT COMMISSIONER OF ECONOMIC SECURITY, ON BEHALF OF BARBARA BEERHALTER, COMMISSIONER, MINNESOTA DEPARTMENT OF ECONOMIC SECURITY

Mr. HAYNES. Chairman Pease, and members of the subcommittee, I am here representing Commissioner Barbara Beerhalter.

I want to thank you for allowing me to testify.

A statement has been published here on behalf of the department, so if you do not mind, I would like to highlight some of those things in the statement and add a few words of my own.

Congressman Oberstar, who sits there, is the Congressman in the northeast part of Minnesota. The offices I operate throughout the State of Minnesota as assistant commissioner, provides Job Service, Unemployment Insurance, and the TAA Programs within Congressman Oberstar's district.

He has, perhaps, one of the most difficult districts in this country. Just a few months ago, I sat and had lunch with the general manager of reserve mining in a small town called Babbitt, MN.

And this general manager of reserve mining told me that one of the major problems his business had was not the allegedly high labor costs, but the subsidized barge rates of iron ore coming from Brazil.

These are the kinds of things we are dealing with. And how does that relate to the Trade Adjustment Assistance Act?

Well, ladies and gentlemen, I operate some offices up there trying to serve the miners who have been laid off, and you have to really live with these people to realize what is happening to the families.

In a very beautiful area—lakes of all kinds, recreation areas—these people are really hurting.

And with the cuts in funds in employment service, and unemployment insurance programs, and TAA, my own staff is having great difficulty trying to serve the population that is being laid off.

In fact, I am cutting staff in the same area as people are being laid off.

You have to understand the pain, the crime on the rise, the increased suicide rates in northern Minnesota.

I don't quite understand it. I hate to admit to many of you that I am also an economist, an educator, and a former chairman of the Governor's Job Training Council.

I want to emphasize several things. Number one, I believe very strongly in training and the Job Training Partnership Act, title III.

We are dealing with people who are being laid off with good work experience and good work ethics. And to try to go through a retraining of these people, and let them come out in $5 an hour jobs is not a workable solution to the problem.

I certainly join with other members of the panel that we should make training a part of the entitlement—but the key part of the act is job search and relocation.

We need to do more about getting new businesses into areas. It is hard for us to sit here and talk about the Trade Adjustment Assistance Act, and job training, and all that without economic development. So, they must be linked together.

In the State of Minnesota, we are trying to do just that.

I do not know how you can do much more than push very heavily for additional funds with the Trade Adjustment Assistance Act. We recommend that it remain separate from the JTPA title III because the JTPA title III is a relatively new program that still has some start-up difficulties to over come. The TAA Program in our State has been administered quite well. The fact is that the TAA is so linked with unemployment insurance programs and the Job Service that it can best be run through that mechanism.

In the reauthorizing, legislation it should certainly carefully mandate stronger coordination between the JTPA system and the Employment Service.

I will just stop here.

Mr. **Pease**. OK, Mr. Haynes, thank you very much.

I know you have come a good long distance, and we are especially appreciative of having you here.

[The prepared statement follows:]

Statement of Barbara Beerhalter, Commissioner, Minnesota Department of Economic Security

Mr. Chairman and Members of the Subcommittee, I am Barbara Beerhalter, Commissioner of the Minnesota Department of Economic Security, and I am very pleased to have the opportunity of presenting information on the Trade Adjustment Assistance (TAA) Program and how it relates to other employment programs, including the Job Training Partnership Act (JTPA).

In Minnesota be believe the TAA program, JTPA and the Minnesota Emergency Employment Development (MEED) program are currently well coordinated and complementary to one another.

While TAA and JTPA both offer similar services such as relocation, training and job search, there is a difference of emphasis in the programs, with TAA emphasizing job search and relocation and JTPA emphasizing job training.

TAA offers special help to one type of dislocated worker—the person laid off because of foreign compeition. JTPA, on the other hand, serves those who are laid off or are likely to be laid off for any number of additional reasons.

At the local level, both Job Service Offices, which are responsible for TAA, and JTPA Offices exchange information on clients so as to avoid any duplication of services to individuals. On a monthly basis the Office exchange data on clients and the type and extent of services provided. In cases where a laid off worker is TAA eligible, that program might provide relocation or job search while JTPA provides training money, or there might be a cooperative effort where the 15% support services allowed by JTPA would not cover all the workers in an individual plant and TAA would provide job search and relocation as a supplement to the Title III project.

The opportunity for cooperation in administration, delivery of services and effective use of resources is most evident in Northeastern Minnesota where over 90% of the TAA funds have been allocated. This program, coupled with JTPA, has resulted in the retraining of close to 250 laid off workers at Area Vocational Technical Institutes of occupational programs in Community Colleges. What is even more significant is that, over the past 18 months, the retraining has resulted in placement of 75% of the trainees in full-time private sector jobs.

While Minnesota feels these programs are coodinated along with the State's job program (MEED), we do not have any objection to combining the two federal programs for dislocated workers providing that the resources are not diminished. Since the current programs only serve between 5% and 10% of the eligible populations, a combination of the two programs, which results in a cut in funding, would not be acceptable.

If the programs remain separate, we believe that strong coordination language should be in the law and that coordination can and should take place at the federal, state and local levels. We believe that the coordination demonstrated by Region V is a good example of how this process can be handled.

At the state level, we intend to improve coordination of all employment and training programs under the direction of new state legislation which specifically requires joint plans, reporting systems and other activities.

The following chart indicates the type of services provided by TAA, JTPA and MEED in Minnesota. However, numbers alone do not describe the kinds of cooperative projects which have resulted in the retraining of workers in dozens of new occupations and the successful relocation of persons such as those who have moved from the high unemployment mining areas of northern Minnesota to the Twin Cities metropolitan area where a variety of job opportunities are available.

Available resources for relocation and job search expenses allow skilled workers quicker re-entry into the labor force without the need for time consuming and costly retraining. Labor force mobility coupled with short term on-the-job training is efficient and effective for workers and businesses alike.

We encourage you to keep the combined resources of JTPA and TAA available to continue services for dislocated workers.

We urge you to consider the best features of both programs, such as the flexibility of providing job search and relocation for those who need these services by the TAA program, and the training emphasis provided by JTPA.

We assure you we will continue our efforts of cooperation in order to avoid duplication and make best use of the resources provided.

Although you did not request new ideas, I would urge you also to consider flexibility to use either TAA, Title II, Dislocated Worker or education funds to avoid dislocations. Primarily, use of funds for technological upgrading with a significant employer match could allow more businesses to stay competitive and save or increase jobs.

Thank you again for the opportunity of expressing our support for programs for dislocated workers. With the changes in the national economy, which dramatically affect state and local economies, we believe this is an area which requires continued federal support and we appreciate the attention the House of Representatives is focusing on this issue.

ATTACHMENT—SELECTED EMPLOYMENT AND TRAINING PROGRAMS—MINNESOTA

	Relocation services		Job search		Job training	
	Persons served	Resources	Persons served	Resources	Persons served	Resources
Trade Adjustment Act: Oct. 1, 1981 to Apr. 30, 1985	173	$358,000	201	$69,200	675	$797,000
Minnesota Emergency Employment Development ¹: July 1, 1983 to May 31, 1985	100	350,000				
Job Training Partnership Act:						
Title II-A (Oct. 1, 1983 to Mar. 31, 1985)	NA	NA	5,572	NA	13,506	19,500,000
Title III (dislocated workers) Oct. 1, 1983 to Mar. 31, 1985	204	NA	1,563	NA	1,068	3,400,000

¹ MEED is basically a wage subsidy program.

Mr. **Pease**. I would like to thank all of the members of the panel. We are going to launch into some questions here, and pick your brains, and get as much of your expert knowledge as we can.

Certainly, you are the people who are charged with administering the program, and you can be of an invaluable service to this subcommittee by sharing, as you already have, your experience and insights with us.

I have a lot of questions, but I am going to defer to my colleagues first, and let them question you. I will be the "cleanup hitter."

Ms. Kaptur, do you want to begin?

Ms. **Kaptur**. Yes, thank you, Mr. Chairman.

I know that we are running late here, and we have still another panel, so I will be brief.

But I wanted to ask each of the witnesses, and those that have not said anything yet, perhaps you might chime in if you wish—one of the areas that we have been discussing and taking a look at in the Congress has to do with how to better coordinate existing dollars through regular unemployment compensation programs.

We have JTPA; we have Trade Adjustment Assistance; we have programs that assist vocational education; we have proposals for notification in the case of plant shutdowns, and I wanted to ask you on more of a theoretical level because you are professionals in the field.

If you could dream about how the Federal Government might reorganize its current state of programs that try to deal with workers adjusting to a different future, how might you organize those?

Do you think, except for providing additional funding where you feel it has been cut back—obviously, you would want to do that, but if you could reorganize the way in which the Federal Government does business through these various channels in order to better help the worker more immediately to adjust to a different job future, how might you reorganize?

Give me your thoughts. Believe me, a lot of us in Congress are looking for new ideas not just cutting the legs out from under programs that serve a real need, but rather reshaping, and refocusing based on really new experiences here in America now, and a need for reform.

What kinds of ideas have you had? Anybody that feels compelled to answer, I would be most interested in that.

Ms. **Hammond**. I would really like to respond to your response because this is the thing that we are struggling with so painfully here, in the State of Ohio, is to try to somehow take the economic development job creation pieces and the education employment training pieces, and put them together into some sort of comprehensive system, and not the nonsystem that we have here in the State together.

The interesting thing about the Job Training Partnership Act is that it does give to our Governor the ability to bring the folks in all of his State agencies around the table, ask them to set their bags of money on that table, and to begin to engage in some joint decisionmaking.

I think that is the format that I would like to see transferred—if we could—to the Federal level.

For instance, here in Ohio, the State Job Training Council is taking a major lead, at the request of the Governor, to become the strategic planning body, in terms of trying to create this kind of an education employment training system, along with the economic development efforts.

We, in turn, are saying to our local private industry councils and their local elected official partners: "We want you to do the same within the service delivery areas. Therefore, we are trying to shape up our act at the State level so that you can do it."

I think the Federal system has to shape up their act at the Federal level, so we, at the State, as we work with those different relationships—Federal and State and State and local—that we can really begin to get our acts together.

Ms. **Kaptur**. Don't you think that JTPA gives you that flexibility now?

Ms. **Hammond**. Absolutely.

It is a very important tool for us at the State, but I think unless all of the partners at the Federal, State, and local levels begin to somehow work in concert, it is never going to happen at our local levels here, in Ohio, unless the State takes a leadership.

Ms. **Kaptur**. Who are those partners?

Ms. **Hammond**. I think at the Federal level we are talking about some of the major agencies, as the Department of Labor, the Human Service Agencies, since the income maintenance piece is so important; the Department of Commerce, all of those kinds of agencies involved in one way or another in employment, training, labor exchange services, economic development initiative, trade policies.

The Congress, I think, has to play a major role in getting those agencies at the Federal level together, just as here, in the State, the Governor and this administration must work with the State legislature to accomplish the same.

We, when we talk to our folks at the local level, be they county commissioners or mayors or our private sector folks, have to do the same thing. We have to have some sort of a unified human resource policy in this country, of which we have none.

Ms. **Kaptur**. Anyone else?

Ms. **Urban-Lurain**. I think, following up on Joan's comments, in Michigan, we have also seen JTPA become the catalyst.

It is the catalyst because it is just a beginning to pull together and do what in the legislation for years has been called "coordination."

Training employment legislation for years has said: "Thou shalt coordinate with one another."

But, in reality, the legislation has given us very few tools with which to do that coordination, both systematic administrative coordination and, then, at the decision and policy level coordination.

We run into problems with planning cycles on programs. Some programs run on different years—fiscal years, program years, calendar years, and we try to coordinate dollars at a State level to address a problem under a variety of planning cycles that can inhibit the freedom and the opportunity that is provided in JTPA to coordinate.

Other things that can become problematic and inhibit the coordination that I think the States are attempting to achieve have to do with variations in eligibility requirements. Not that there should not be eligibility requirements or that there should not be targeting, but, as you look at some of those requirements, allegedly, you are attempting to deal with the same population and, yet, things get in the way and you cannot use those resources in a coordinative manner.

Another area that I think is important and a great need that we see not being addressed by Federal legislation, and what we are looking to at the State level—and I assume they are doing it in Ohio, I have some information that they are and I think they are doing it across the country—is that very few of the dollars that we have right now can be used for what we call upgrading of existing employees.

The Trade Adjustment Act is one. JTPA cannot be used for upgrading in most instances. Unless the individual is already laid off—in other words, they have already been negatively impacted—we have limited services to offer.

In Michigan, we have just recently done an inventory of all our job training areas. We call them "Human Investment Programs."

We have found that we have 34 programs scattered across 9 departments in our instances.

Of the dollars that come into Michigan, less than 2 percent of all those programs can be used to upgrade or retrain individuals before they become negatively impacted.

In other words, we have a system set up where you have to become unemployed, or you have to be on welfare, economically disadvantaged, before you can get access to these funds.

I think that is the negative way of saying what has been said earlier, which is that training should be an entitlement for the people in this country. In particular, in Michigan, and again, this may be nationwide, but in Michigan we know that we have, virtually, 90 percent of the current work force, the work force we will have through the year 2000.

The focus should be to make sure that individuals do not have to be negatively impacted before we can retrain them, and I think that is a major need in the area of training. In addition we need to make sure that the resources that we have, the limited resources, can be better coordinated.

And I think the States—and I can speak for Michigan in particular—are making an attempt in that direction.

Ms. **Kaptur**. Thank you.

Anyone else?

Mr. **Haynes**. I know, in the State of Minnesota, as far as coordination, we are in the process of reorganizing the whole State to form an employment and training department, and move some of the general assistance registration, and we have an Emergency Subsidized Jobs Program, division of Voc Rehab.

All of these have been put into one department, anything that is job-related. That is the thrust of the State of Minnesota.

As far as Federal, there is one observation I have: I think we need help on—is all of these matching grants in the Federal fund. If you can eliminate the matching requirement of the State, we would appreciate it.

Mr. **Pease**. Thank you very much, Ms. Kaptur.

Mr. Oberstar.

Mr. **Oberstar**. Thank you very much.

Mr. Chairman—my heartfelt thanks to the panel for a very stimulating presentation, display of a factual command of the program, and obvious working experience with it. Most of all thank you for the very deep sensitivity for the people whose lives you are intertwined with.

Amos, a very special appreciation for your sensitivity in a very moving discussion of the problems the people in northeastern Minnesota are facing.

Unlike other periods of time, there is a desperation setting in among people of a very proud ancestry, tradition of work, skill and pride in what they do.

It is not unlike other parts of the country which I have visited and like the other witnesses have described. The workers acquired skills. They have applied those skills, and improved their productivity, and, now through no fault of their own, in the face of forces over which they have no control, they have no job.

Your testimony is an eloquent discussion of the frustration and sense of desperation that has set in.

The utter hypocrisy of an administration which washes its hands of any responsibility to defend American industry and workers against foreign governments and the world international lending institutions which sustain and support those foreign industries with below-market rate loans, only allows them to market their commodities in this country, displace American jobs, and in effect help them to export their unemployment to America.

On the other hand this administration refuses to accept responsibility to provide either unemployment compensation or training assistance.

They should get out and move around the country to experience trying to find a job for themselves.

Homes in northern Minnesota that once were worth $30,000 or even $50,000, are now selling for $5,000 or less—when they can find a buyer. How do you pick up and move when your major life's investment is virtually worthless?

I had the privilege of studying at the College of Europe in Bruges, Belgium, at the very time of the formation of the Common Market. I received my master's degree there, and I observed firsthand how the European coal and steel community resurrected itself from the destruction and devastation of World War II, and rebuilt an industry that was the rival of the United States with compassion, with care, and concern for the workers.

The programs that we are talking about today in your testimony were in existence in 1952, 1953, 1954 in the "Europe of the Six," as it was called, the coal and steel communities as we know them today.

They provided full retirement with full pay for workers who had reached retirement age. They provided retraining for those who were going to be laid off, with full pay, cost of training pay, help in learning the foreign language if they had to move to another country to get that job, and paying of the rent for those few people who owned their own homes.

We are talking today, some 40 years later, as though we have just discovered a new scheme. Europe has had it in operation and has made a successful transition, and continues to do so today.

I feel very, deeply and very strongly that this great industrial democracy failed the workers, failed to live up to our public responsibility.

We have another opportunity with reauthorization of this legislation that has been so ably championed by Don Pease, not to merge Trade Adjustment Assistance with the JTPA legislation.

I thought that the testimony from the entire panel—and Ms. Cozart, your appeal particularly, not to merge JTPA and TAA—particularly compelling.

This is not a State problem. Trade, under the Constitution and in the facts of economic reality, is a national problem, not one that States should have to shoulder alone.

When the funding for program administration by States is cut back, they rightly come to us and say, please don't. We can't afford to handle it. It's not our responsibility in the first place.

The States are playing the partnership role.

Having made that homily, the question I have is this: How would you guide the Congress in establishing a formula for the distribution of funds for administration of this program?

Ms. Cozart. One of the things I have given a little thought to is how—No. 1—how would Congress go about deciding an appropriate amount for appropriations for TAA?

And the thoughts were to look at the number of workers who were found eligible, perhaps, in the last couple of years. Take an average, that that amount would be reasonable for the next year.

And then, based on that, set up a formula of, say, 20 percent for administrative purposes the way you do for JTPA and other programs.

We are used to being agents for these programs, but built into those allocations each year is a certain amount for administration. And I think that same type of guideline should be applied to TAA.

Mr. Oberstar. Any other comments on that?

Ms. Hammond. I would like to ask Doug Bright who has been struggling with this, to respond. I think he has some feel for what is actually needed. ,

Doug, do you want to make a comment.

Mr. Bright. If the Department of Labor went into an investigation or a petition, one of the things they would look at is the work force obviously.

They know how many folks are there. They have a pretty good big picture, in terms of what is going to happen to those workers in that industry, specifically.

They have a real good idea, as it relates to how many folks are unemployed at this point in time, or the projected unemployment in the future, in that specific area, that specific company. It doesn't seem to be too difficult from my perspective for them to maintain some statistics at that point and, whatever the appropriation is at the Federal level by Congress for the Trade Program, to disseminate it along those lines based upon the population that in fact, they have certified as eligible to apply for these benefits.

Historically, there are some general percentages, as it relates to how many folks typically become eligible for these programs and collect different types of benefits under the program; however, maybe those facts are a little bit skewed.

Based upon the testimony we have heard this morning, I think it is evident that many, many people are not aware of the program, or are not aware of the benefits that are available under the program or, for one reason or another, are not able to get the benefits of that program.

So, my thoughts are that the information's already available, that it should not be too difficult to make that appropriation.

In addition, I would further like to state that from a State level, in terms of providing services, staffing of the local office, staffing at the State level to provide the services, it is necessary for us to know what the funds are going to be, or, at least, to have a ballpark figure for planning purposes.

If I know how much money is coming into my State for a particular program, then I can pretty much budget what I need to do and be responsible in terms of that budgeting.

If I have no idea until the end of a calendar quarter, then, in fact, there is not even any administrative funds for the program. It is very, very difficult to come up with some kind of a budget formula to provide these services, or provide staff to the local office, to provide staff to process these requests.

Mr. OBERSTAR. Should that amount be set as a percentage of the total amount available to a State?

Mr. BRIGHT. That would be logical.

Mr. OBERSTAR. What percentage?

Mr. BRIGHT. I believe the Job Training Partnership Act is at 15 percent for "admin," is that correct?

Mr. HAYNES. That is correct.

Mr. BRIGHT. That would probably be advantageous, if not 20 percent, as it was earlier mentioned.

Mr. OBERSTAR. Suppose a program could be forward-funded, so that you would not have to scramble around within a fiscal year for funding. If it could be forward-funded, you would at least be able to rely on some stability for these fundings.

Mr. BRIGHT. I agree.

Ms. HAMMOND. That's the way I feel.

Mr. BRIGHT. In delivering any service, or any benefits, it is necessary to have some systems set up. If we have to provide those services for one person, it almost takes as much of a network as it does for 100,000 people.

So, we need to have that basic network set up first, and we need to have some basic funding in order to do that, and forward-funding would be the answer.

Mr. OBERSTAR. Finally, we have authority within the TAA Program for a quick response. Amos, you did very well in Minnesota in responding to the situation that's obviously developing large numbers of people being abruptly laid off.

There ought to be some anticipatory mechanism.

Have you given thought to this?

We seem to wait for a disaster to occur because we are so reaction-oriented in our Government and laws. Our court system doesn't respond to anything until it's already happened, and Congress does the same thing.

We do very poorly in looking ahead to anticipate problems and then try to head them off. This is an example of one of those areas. I missed the early part of this testimony today to talk with the chief executive officer of a major steel corporation which may be laying off people in my district, to try to come to some understanding.

How many people? What do you need?

What's it going to take to stay in operation?

We ought to have, somehow, some anticipatory mechanism here so that you can come in and provide assistance before people are on the street, before they are wiped out.

Ms. **HAMMOND**. We are working in Ohio on that very premise, that we need to get in place, and are putting in place what we term "an early warning system" of type.

One of the reasons why Mr. Bright is no longer administering TAA with both hands—but only with one hand—is because he is head of, now, something we call the Community Economic Assistance Team, which has the responsibility of coordinating State resources, whether it is for retention or expansion where we support development efforts, or, primarily, unfortunately, it has been the downside of his effort, which has been responding to retrenchments in plant closings.

Basically, what his team tries to do is to get that information ahead of time. What we have discovered, interestingly enough—and it probably should have been obvious to us going in—that it is much easier for a plant closing or a branch closing decision to be made when the corporate office is outside of Ohio, and the banker with which that corporation does business is not inside the State of Ohio.

It is much more difficult to ask smaller employers within Ohio who are dependent on their line of credit from their local banker, to come up front early in the game and explain the kind of problems that they have had.

What we are trying to encourage through our work, with the Department of Development in the State of Ohio, is to somehow work together to identify problems that may mean retrenchment, or realigning of a business, or reorganizing to prevent them even getting to the stage where closing or partial closing is necessary.

We have an interesting study being undertaken in Ohio right now, where we are talking one on one to employers to see what their response would be and on what cases could they give us information; how could the State be more helpful; how could we really be out there providing some sort of basic services to help them identify ongoing problems.

Mr. **PEASE**. I think you raise a good concern, and it is possible to handle that within the context of TAA.

For example, on the case of assistance to employers, to companies, that are impacted by imports, if they suffer a loss of sales or a threat of the loss of sales, it is possible for them to apply for a certification.

In a situation like that, you could get a company or a firm certified so that you wouldn't have to wait until 300 workers are laid off, but could act when the first 15 are laid off.

Ms. **HAMMOND**. That's right.

Mr. **PEASE**. They could be certified. They could go right into training.

In a situation like that, the tremendous lag time of the Department of Labor in certifying workers would not be quite so important.

There are far too many workers who have lost their opportunity for retraining in the last 4 years because by the time the Department of Labor got around to certifying them, their statutory period of eligibility was gone.

Ms. **HAMMOND**. That's right.

Mr. **PEASE**. I think you raised an excellent point.

Mr. **OBERSTAR**. That was my last point.

Ms. **KAPTUR**. I wanted the gentleman to yield, Mr. Chairman if he could?

Mr. **PEASE**. Surely.

Ms. **KAPTUR**. Ms. Hammond, you made a reference to your having certain evidence that financial institutions outside of, the State of Ohio were more likely to close down the plant than if those same institutions, lending institutions, were located inside of the State.

Was that just sort of a general statement, or do you actually have one or two pieces of evidence you might be able to submit at a later time?

Ms. **HAMMOND**. No, but what I wanted to communicate was that it is easier for a company to give us, at the State, prewarning of the problems that they are having, if the corporate headquarters is located out of the State of Ohio, and if their financial line of credit is not dependent on someone who is their neighborhood banker.

We are finding that small companies find it very difficult in any State to announce that they are going to close the plant when they are dependent on an ongoing line of credit, say, for the next 12 months, to get them through that phaseout and to act responsibly for their stockholders.

It was very easy for the General Electric Corp. to come in and say to us early on:

"You know, the lighting business group is going down and this is going to be our problem from 1984 to 1986."

Very difficult for a small company, in Tiffin, OH, to come to the State and explain the problem. That's a real risk that that small employer has taken. You know, we are struggling at the State to set up some mechanisms so that employer can come and talk to us and feel that confidentiality will be maintained, and that we can deal with him in the best way possible, without his putting whatever transition he is going through in total jeopardy.

Mr. **PEASE**. Mr. Levin?

Mr. **LEVIN**. We have a rare opportunity: experts from three States which have had similar but not identical experiences. So, let's take advantage of it, if we might, and let me push you a little further along the road of Marcy Kaptur's I think, very provocative question: that we are here today, on TAA, but we acknowledge very much the relationships.

You are hardheaded administrators, in the sense that you have seen a lot of reality. Ms. Cozart mentioned that you are on the other side of the table from trainees, but it is clear that that's only partially true.

One reason for your effectiveness is that you are able to put yourself, to some extent, on the other side of the table.

There isn't time for a long dissertation, but let me ask you to comment a bit on the future—what this country should do in the training area. Take your experiences and apply them. There are proposals for individual training accounts and, for reshaping unemployment compensation insurance. We, in this country, haven't utilized it nearly as broadly as is true in some European countries.

There are proposals to try to get at the illiteracy problem. There are dramatic statistics of the rate of illiteracy among people who are laid off, as well as people who have never really entered the job market.

If you want to talk about the subminimum wage, I don't agree with it, but at least it presumes to address itself to something basic.

So, try to project yourself beyond the need for more coordination. There clearly is that, and beyond the need to look at planning cycles, those are very critical. They're administrative, and I don't mean to downplay them. I think people who look at the broad picture have to have a good grasp of the details and implementation.

If you had to pick out one, or make one or two comments, each of you, about the basic issue of training and retraining, what would you say?

The four of us sit on a task force, among others, that is looking at this issue, because we are very active in it, and our staffs have been deeply immersed in it; and that's much appreciated. We want something to come out of it.

Ms. COZART. I think if I were to back off from my job, of course, naturally, I am involved with the labor exchange, and training, and so forth, and just look at the way the country is going, and needs of employers as we see them today and as they are going to be in the future, I think one of the major areas we would have to look at would be the general educational level of the entire country.

The youth in schools, certainly there should be a greater interest in the three basic skills we were talking about earlier: reading, writing, arithmetic, as well as the adults, because, as has been mentioned, the number of times that persons will have need to go into different jobs creates a certain need to be trainable.

We have recently embarked on a program of screening for major employers, and that they are looking for right now is not the fact that a person can perform a job today but that they have the basis to be retrained and form different jobs in the future.

So, it isn't as important to be an assembler today as it is, say, you can be an assembler today and something else tomorrow, and something else next year.

So, as we are looking at the basic need to prepare individuals for the work force, not only today, but in the future, that is one of the areas, I think, should be given a great deal of attention, and a great deal of national concern.

I have a great problem with the current administration's aim to dismantle the Department of Education. I think that is where we have fallen down.

You mentioned Europe. I think the reason we have fallen behind Japan and some of the others is because we don't place enough emphasis on educating our public, and we leave that up to states, wherein, it should be a national concern.

So, again, as I say, if you ask me about what specific area that would be beneficial, regardless of what type of job we do, and, as I say, I tend to dwell more on the labor exchange area, I think that that would be the part to start. We need to work with the students who are in school, but, we, also, should try to assist the individuals who are not prepared today for the world tomorrow. And, that could include employed people, as well as those who are unemployed.

And, I think that if you really gave a person an opportunity, who was employed, assistance in bettering their chances for quality of life, as well as better jobs, that this would be taken advantage of, if it was presented in the right kind of fashion. And, I happen to have very personal experiences wherein I feel that's true. So, the educational part, I think, should be a great focus of interest to any program, or for anything we intend to think about in terms of improving our work force and the economy.

Ms. URBAN-LURAIN. Following up on that, I agree with Powell, and we have seen, in our work with the JTPA Program, that literacy is a major problem. Some of the panelists that were trainees spoke to it earlier, when they said that, just because you can send somebody to community college, it doesn't mean that they can take advantage of that opportunity, because they're not prepared.

And, we have employers that come to us that basically say, "We're looking for training, and we need support for the basic skills, reading, writing, the literacy skills."

So, we know that literacy is a major problem and we know it is a major issue in regards to training.

I think the other thing that I would emphasize is that traiting, in and of itself, is not useful, unless it is linked with the jobs. In other words, to just train an individual and put money into training programs that are not linked with economic development, as Joan mentioned and as Amos mentioned, and some other individuals have mentioned, really is not a good use of public resource, in my opinion, because not only do you use funds in a way that raises peoples' expectations erroneously, but it creates difficulties in terms of meeting needs. Individuals think they are going in; they are going to get a job; you train them; and, then, there is no job at the end. What have you really done to upgrade the individual and upgrade the economy of that particular area? So, to just have training programs, in and of themselves, are not sufficient. They are necessary, but they are not sufficient, in my opinion.

Ms. COZART. There again, too, I do not see it being any crime for the Government to be the employer's last resort. We keep talking about private and economic development. It may be a situation, with the technology that we are going into, that you do not have enough private jobs, but certainly there is a great demand for additional public services that I do not see a problem with that. And, we need to recognize that there could come a time, in order to maintain our work-ethic and put the individuals to work who want to and are able to work, that the Government becomes the employ-

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er's last resort. And, I think that the CETA Program was maligned when it seemed to be considered a failure because of the PSE part. I was not involved with it, so, you know, I am not being defensive of it, but I do think there was a lot of good that came out of that program, which was lost sight of with the attacks that were made on it.

Ms. URBAN-LURAIN. Particularly, in times of economic downtrend. We are on an up cycle right now. So, you can find what are called on-the-job training placements for individuals. Right now, it is feasiable, but I will be interested to see what happens when the economy goes the other direction, which it, inevitably, will do, on a down cycle. And, at that point, it is very hard to get private employers to open up and create on-the-job placements in their industry.

One other point I wanted to make regarding the vision for training, which I alluded to earlier. I really see a need to be able to target more of the resources, the limited resources, we have to addressing the problem before individuals are negatively impacted. I think that gets to the Congressman's statement that we are reactive and we wait till people have fallen into unemployment, or welfare, or some other situation, before we respond. There is absolutely no need for that. There are ways, and Europe is only one example. There are ways to identify when people need training and give it to them before they have reached that negative point. And, right now, most of the resources cannot be used that way.

For example, when the Carl Perkins Vocational Education Act was authorized, the portion of that act that could have been used for upgrading did not receive funding; that we could have used to help individuals who are impacted by high technology and need for retraining. It is in the law. There are no dollars for it. So, some attempts are being made in that direction and, yet, we are shooting ourselves in our collective feet, I guess, by putting it in there and, yet, putting no resources to address that concern.

Ms. HAMMOND. I guess I would like to respond to Mr. Levin's question, by saying that I think, of all the times, historically, we are at a crossroads, I think it is incumbent upon this country to do something about basic institutional change, not only public institutions, but private institutions and industry as partners.

I think one of the things that we failed to emphasize enough under former Federal programs was the role of that client who was the private sector employer and that individual's needs.

There are, really, two clients that we are going to have to address institutionally, I think, and one of the real pluses, in the Job Training Act, that can bring to bear on a whole range of tools, TAA and others, is the influence of the private sector. I mean, we asked our public institutions, our schools, to really take the brunt of social change, and, by and large, the private sector has stood outside of those institutions and railed. And, I come from the private sector to State government. So, I feel I can speak pretty authoritatively at that, the private sector's attitude overall to our public education institutions.

This gives me an opportunity to say that I am really appalled with this administration and its attitudes overall toward those kinds of Federal initiatives that address the public/private partnership. I mean, they came into office in a blaze of private-sectored initiatives and all that sort of thing. When I look down the line of their approach to the kinds of programs that help Government work with the private sector to crawl inside those systems, to make some institutional systemic changes, I see them wiping out those sorts of things in the 1986 budget, of which TAA is but one. To cut title III in half, which helps our industries to stabilize and retrench, to me, is criminal. You look at the writing out of the Small Business Administration, which is a job creation tool for the small businesses; loan guarantee program, particularly, has been affected, particularly in the communities of Ohio. You look at the urban development action grants, which in my hometown of Cincinnati, for every $1 million in public money, generated $15 million in private investment and job creation; to say nothing of the targeted jobs tax credit, and the importance which that piece of legislation has meant, not only in year-round employment opportunities for folks, but for summer youth.

If we were looking at our institutions the way we should be, we should be putting ourselves out of the business of working with the disadvantaged as adults, because our institutions should be picking them up when they first enter the education system. We really should be concentrating on keeping a current and skilled work force over time. I mean, training, retraining, continuing education is where we ought to be with our institutions, and this is not just public and private schools and 2-year colleges and universities. It is the training capacity of the private sector, which we need, somehow, to bring in together, so we have some sort of a systematic training approach closer to the Europeans.

Jim, you know, I visited Germany and Denmark myself with three other States recently. They do have an understandable system at which people know when to enter and when to exit, determined by their own personal goals. I think we need some real leadership nationally to bring about some real systemic changes. I think the time for applying Band-Aids is over.

Ms. **Kaptur**. Will the gentleman yield, please?

Mr. **Levin**. Yes.

Ms. **Kaptur**. What are those countries that you cited? Denmark?

Ms. **Hammond**. Well, I visited Germany and Denmark. Other States have visited Sweden, I know, as a third country. England, I think, is trying to tackle some of those kinds of problems, too.

Ms. **Kaptur**. But, what you are basically saying is that the employment and training focus of the National Government is more on a skilled work force and an adult population. Am I hearing you right? And, that the school system is involved in the remedial area?

Ms. **Hammond**. I think, ideally, where we start is where that youngster or that individual enters the system, the education training system. Education really needs to be lifelong learning.

It is kind of interesting in Ohio. There is a report coming to the board of education within a few weeks from a task force on adult and community education, which has, as a piece of it, what we are referring to as an entitlement. It is being described as every citizen—if this is accepted, you understand. This is just a report from a citizen educator group. Every citizen of Ohio is entitled to 13 free years of public education. Now, if you take--there are a couple of things that happen if you take a proposal like that; one is, it says to the local board of education, "Your client population is no longer 5 to 19. It is now 5 to 99."

The second thing is, if we apply it to what happened, for instance, in northeastern Ohio, to folks in this county, folks who went to the steel mills, and the rubber factories, and so forth, who were dropouts from high school, all of a sudden, they are dumped out here now, age 45, 50. If they had 2 years of entitlement back, they could come back into the public institutions in this State, at no charge, for whatever kind of training they need to take them on to the next step.

It is a real challenge to the education system, because it means that you would probably look at teachers' certification differently. You look at qualifications differently. Not everything, necessarily, for a 55-year-old, needs to lead to a GED.

But, I mean, it is trying to line up within our States, and there has got to be a national leadership. What are some of the tools we have within our whole economic development-employment trainng system? And, I continually use those words hyphenated, because they have got to go together.

This is the leadership that Governor Celeste is providing in this State, by the way, for you gentlemen from out of State.

Mr. **Pease**. If Mr. Levin would yield for just a moment? Pardon me?

Mr. **Levin**. Yes.

Mr. **Pease**. I think, if you will ask a couple of more of those philosophical questions, we could be here until Wednesday or Thursday. [Laughter.]

I think you have really unlatched a great outpouring of expert knowledge.

Mr. **Levin**. I would like to ask the question of Mr. Haynes, if I could. The fourth panel has to be the most patient panel in history.

Mr. **Haynes**. I guess, I would have to admit that, in 1956, I came to Minnesota to design and engineer my first commercially built computer. Subsequently, I led the design and development of the five control computers for the Polaris submarines. So, I say that because I think a lot of us are fooling ourselves. We have an economic system that is trying to push toward capitalism, the full enterprise system. And, yet, technology is developing in such a way that there just are not going to be enough jobs for the population.

The question you are going to have to address is that will society get to the point of believing that it is going to take care of all of the people. Some people are going to have to take care of all of the people, or the other option is genocide.

In addressing the question on training, we certainly need to train and retrain people and it should be a continuous thing. You know, I strongly believe that, but, there are going to only be so many jobs for people, unless, in our society, we also recognize that capitalism cannot be applied globally, when you are dealing with other economic systems that subsidize their economy. I guess we have a mess in that. I will not go [laughter.]——

Ms. **Hammond**. It is back to the Government as last resort. That is where we have to have Amos. [Laughter.]

Mr. **Pease**. Thank you very much, Mr. Levin. Those were very good questions.

I told you I was being the cleanup hitter, and I have some questions, too. At the same time, I do want to beg the indulgence of our final panel. As Mr. Levin points out, they have got to be the most patient people in the world. But, I think the questions around this end of the table and the responses have been valuable. Both are indicative of a great deal of frustration and concern, on the part of all of us, about the high levels of unemployment; that people are losing their jobs after many, many years, the need for retraining, and so on. So, I think this is important, and, as long as my colleagues are willing to stay here and, if our fourth panel is willing to wait a little bit, we would like to pursue it.

I have been involved in the Trade Adjustment Assistance Program for about 6 years now, from the point in 1979 when the auto industries started to go down hill and many, many people became eligible for TAA, or, more precisely, TRA, the weekly benefits. I would like to ask the panel to comment on some of the problems that they have seen with the administration and programming because I think we really have two key questions we have to answer at this hearing before some people will be willing to reauthorize the TAA Program.

Whenever the Reagan administration, comes before Congress to comment on the TAA Program, they say two things. First of all, TAA has not worked. It has not been effective. It is not an efficient operation, and there are not enough people who are being helped to make it worthwhile. The fact that it is not administered well may contribute to the latter, but that is a point they make.

The other point they make is, "Well, we do not need TAA because JTPA is around." That is their answer to everything. They do not need this or that, or the next thing.

But, I was struck, as you were talking, by some of the things that were brought up, and I want to emphasize this for the record. Over the last 6 years, I have met innumerable constituents who have come to my office and talked to me. They have been laid off. They were looking for help, and these are some of the things that they say that they have been told as they have tried to seek help from the local employment office. A lot of them have been brought out this morning.

First, we know there is no outreach program to speak of, no funds for that, and most States have not been able to organize one very much. So, a lot of workers are unaware that the program exists.

Then, they say there is no one who can really take the time to help them out. They say, "Well, we understand there is a TAA program. We understand there might be a program here, or might be a program there. Why do you not go talk to somebody?" But, whenever you get to the point of talking with someone, that person is always far too overloaded with work and unable to really sit down and walk the worker through the worker's options.

And, then, they say these are the responses they get: "Well, come back later. We will try to help you out, but we cannot do it right now," or "I am not quite sure how the program works. There is a TAA program. The employment office is charged with administering it, but we are not quite sure how it works," or "Yes, there is a program. I think I know how it works, but there is no money available right now. Do not come now. Come back later on when there might be money available."

Often, though, the excuse for that is that the Department of Labor will not release the funds. "There are funds appropriated, but the DOL has not released them. We do not know whether we can qualify you or not."

Or, they will say, "You missed the deadline." Often, it will be back 6 months, and, "we told you to come back. We thought we were saying the right thing, but now that you are back, we realize you have missed the deadline and you are not eligible anymore for TAA," or "You are eligible, but we cannot get approval from the State, or from DOL for your particular program by the time it starts. And, therefore, you may have to give up the program," or, more recently, as you pointed out, the DOL has not provided administrative costs, and we are handicapped for that reason.

Is my impression correct that much of the inadequacy of the TAA Program, the fact that we have not helped more people, is a direct result of the administrative shortcomings of the program over the last several years?

Ms. **Cozart**. I would say you are very correct, and I could not even deny that at some time or other, and we, in Michigan, have been extremely active and tried to get the message across to all the staff, that one of those instances could have happened to an individual in almost any State. And, again, as I mentioned earlier, I think, I truely think that the lack of administrative assistance, funding, and all was by design, by U.S. Department of Labor. They do not want it to work, so they would have a valid reason to come to you and say, "It is not working."

A lot of that could be taken care of by administrative funding, especially, the up-front funding, adequate administrative funding, because, for example, in Michigan, when we have had over 300,000 individuals that qualified for TAA at one time, then, of course, that strained resources to even try to add the staff to assist those folks. So, we had waiting lists sometimes up to 3 or 4 months before we could even get to an individual to go to develop an employability plan. So, I think what you said is true, but I think it can be dealt with, if there is the interest and the desire to do so. That is my own viewpoint.

Mr. **Pease**. Would others of you agree?

Mr. **Bright**. Mr. Chairman, if I might address this issue, you say that some of the criticism of TAA has not worked; not enough people serve. I would like to illustrate it with something that appened right here, in Lorain, and that is the certification of the U.S. steelworkers here, in Lorain, and also the Cuyahoga Works.

The workers were separated in about February 1982, 4,600 of them. On March 31, 1982, the steelworkers filed a petition with the Department of Labor to determine whether or not these workers might be eligible for trade adjustment assistance. Granted, these folks had only been off a month at the time they filed, which one would think, logically, would be early to make a filing of a petition that has to be certified under section 233(a) of the law, as soon as possible, after the date on which a petition is filed under section 221. But, in any event, not later than 60 days after that date.

On February 18, 1983, almost 11 months later, the Department of Labor responded to that petition and issued a certification. That was 37, almost 38, weeks after the 60 days. We were notified by the Department of Labor on February 28, 1983, of the certification. The company could identify the workers to us. By law, we have to verify that they meet certain eligibility criteria, but just to find out what the names and Social Security numbers, so we could start doing an outreach, and we do an outreach. We send a postcard to each individual.

April 25, 1983, is when we found that out, who those folks were so that we could begin working from a State level. We had had meetings right out of the gates in March with the company, the union, and the local bureau officials.

The individuals at that time had been unemployed now a year. They had collected unemployment compensation benefits under all other programs. At that time, we were very high unemployment, and most folks had collected more than a year of unemployment compensation benefits. The Trade Adjustment Assistance Program provides benefits to extend unemployment benefits, as you know, up to a year. These folks had already received a year, but the press releases that came out said that these folks were entitled to a year of benefits.

Mr. Gundersheim indicated that raising false expectations of the workers was prevalent, and I think that that is true based upon what happened there, indicating that there is another year of unemployment benefits coming. These folks believed that there was actually another year of benefits, in addition to what was already there.

The additional eligibility period to collect the benefits while in training, if we could get the folks selected and referred to training under the act, had commenced, for the majority of the workers, during the week ending March 5, 1983. We had just received notification, again, in late April, of who those workers were. The additional week eligibility period, as it is tied to the first separation and exhaustion of the first unemployment claim, basically ended September 3, of the same year, for most of those folks. That gave the State of Ohio just about 60 days to process 4,600 workers, 1 by 1, and develop a vocational plan and an employability developmental plan that justified selection and referral to a training facility.

So, when you heard the workers this morning talking about the fact that they came in and they were scheduled for later, December, or whatever, the State of Ohio dropped everything; did whatever we could to bring folks in from other local offices, in other areas of the State, to get in and try and service these workers, to let them, at least, be aware of what benefits were available. But, in 95 percent of the cases, I am afraid those folks would not get training coupled with the additional weeks of benefits, as was intended. It was not their fault.

At the Cuyahoga Works of United States Steel, under the same petition, we had many situations where workers had been separated, due to lack of work, on or after the impact date of the petition. Subsequently, they returned to work. Only, a few years later, the plant closed. From the certification date, or the first separation, that, as the time that starts the clock ticking for filing an application for additional weeks of benefits or training, the 210-day criteria, these workers, by the time the plant closed, had no opportunity to file a timely application. It was not possible. At the time they were first separated, there was no certification. The petition had not even been filed. By the time that they were finally separated, there was no way that they could have been made aware to know that they were going to—that the plant was going to close; that they had to go down and sign up for something that they had to have a crystal ball to know that they were going to need.

Ms. **Hammond**. I think Doug's example is a good illustration of the kinds of problems that security agencies face across the country, and is not just in the problems of administering TAA without any administrative money, as we have been faced with doing. It is, also, the impact of what is happening to the UI budget. You heard Dr. Steinbacher talk about our projected $2.9 million deficit. The same thing happens on the employment service side of the House, where funds are continually being cut. And, here, you have a lot of really dedicated people, as work for our agency in Ohio, who are continually being told that they are there to provide service. They are not there to be paper-pushing bureaucrats, and, yet, they are in a catch-22. They have multiple agendas with unclear instructions, and a lot of expectations and demands from the Federal level that just simply are not realistic, in terms of serving the kind of people and the numbers of people that walk into our offices.

Our staff, unfortunately, spends more time trying to just register folks, even with group registrations, than it can ever turn around, given the kinds of dollars we have to staff our local offices, in providing rule services. I mean, it is a problem across the board. And, I think, until, somehow, we attack that problem of getting the kind of resources to provide service and not just raise expectations, we are not going to really have made a major contribution.

Mr. **Pease**. Well, I appreciate your specific instance, especially, Mr Bright. I do not think it is worthwhile in this hearing to draw, for a long time, on the problems of the last 4 or 5 years. We need to be looking to the future and finding out what improvements need to be made.

But, I did want to get you on the record regarding that point, because we are going to be told, in the next couple of months, as we try to renew this program, that it was a failure, and it did not work, and people did not get their benefits, and not enough people were served. And, it is important, I believe, to have on the record that it was not the fault of the workers; in most cases, not the fault of the local employment services; and, in most cases, not the fault of the State employment service, but it goes right back to the Department of Labor.

All departments in Washington have reputations of one kind or another for being efficient or inefficient and, generally speaking, the DOL is at the bottom of the pecking order, in terms of its reputation for being an efficiently administered organization. I think, in terms of the last 5 years, especially, there have been some ideological biases, which have caused the DOL to go after programs like this and make sure that they did not work, not to mention the general problems of the Secretary of Labor and the demoralization of the DOL that that caused.

I think, Ms. Cozart, it was you who suggested that the problems emanating from the Department of Labor, regarding the TAA Program, were not accidental; that you think they may have been deliberate. I was going to ask that question of the panel, and it is a little sensitive, but I do not mean it in any flip way. I am really serious in asking it. To what degree do you think the problems caused from DOL, for administration of the TAA Program over the last 5 years, been due to incompetency, and what part would you think has been due to deliberate sabotage on the part of the agency?

Ms. **Hammond**. I think, by and large, the civil servants who work within the Department of Labor, are a very fine dedicated group of individuals. That has certainly been my experience, particularly in employment and training with Roberts T. Jones, and others.

I think if I were sitting with the administration in Washington, and I wanted something to fail, I would structure it for failure, and I would do exactly what they have done with some of these programs.

Ms. **Cozart**. I tend to agree with Joan, and most of our workers in Washington, I think, are frustrated, because of the marching orders that they are given, and they do not see that they have a choice in a lot of the programs. The "caught in the sack" of the U.S. Department of Labor, wherein they claimed a year ago that they continued to be as effective, is a farce, because they allowed—their trained persons with expertise either retired or were put into other jobs. And, you looked around and you had a whole host of new people, who had never dealt with these programs. All of a sudden, the so-called experts, and they had to come out to us to try to get training, actually, what they were to do, and that has been definitely.

It was mentioned this morning about the changes that were put into the act last year, which was going to impact on the TAA. We just got the letter, the GAL letter, last week, and it says to implement immediately. And, here, the program was supposed to, if it is not extended, go out of existence in September. And, this has been available to them for a whole year. But, it has been no effort, whatsoever, to put it into place, and these are the kinds of things, as I mentioned. There were times when money was available and ask the funds. You knew you had a lot of interested individuals available, waiting to go for trainng, if you could get the money, and it was not made available. There was no excuse for it, except that they just did not want to give it to you. So, I would say that the majority of it is by design, but, again, I think it is because of the Secretary of Labor and some others who were the policymakers, which caused a lot of the views and the way that the acts were implemented. Hopefully, we are in a better situation.

Mr. **Haynes**. If I may respond and try to be in a nonpartisan manner, this administration has been unique in defining congressional intent in much of the legislation. As for example, in the recession of the $37 million supplemental appropriation for employment service grant, but more than that is that with the Secretary of Labor not being able to provide the direction for the Department of Labor, that Department has been floundering, and, also, under a lot of directives from—a lack of direction. Restrictions, as a matter of fact, by OMB. So, that has contributed right down the line to the problems in many of our programs.

Mr. PEASE. Thank you very much. I would like to enter a defense, also, of the much maligned bureaucrats of the Department of Labor. I think that career civil servants are competent people and they do try to work within the limits of their ability. But, there are policy considerations that make it very difficult for them, and then there are cutbacks in manpower. They just simply do not have enough people to do the job.

I would like to ask your help in trying to draw distinctions that may exist between TAA and JTPA. Let's say a worker becomes unemployed, say, in Lorain County, or Michigan, or Minnesota, in an area where he is eligible for both TAA and JTPA. He works in a trade impacted industry. So, he could be certified for TAA. He is a dislocated worker and so he could be certified for title III of JTPA.

What are the differences between the two programs that might dictate which of the two would be better for him or her?

Ms. HAMMOND. I think there are probably three major differences. One is clearly, as Jan said, the ability to do upgrading under TAA. And, the ability to catch the problem before the actual notice of termination or termination has occurred. It is much more proactive. It gives us a much more proactive ability to deal with a worker's problems.

I think the second thing is the income maintenance piece. It is very difficult to organize income maintenance resources. We are working very hard to do it, but it is much easier under TAA. JTPA has very little support service money, and it is not always easy to coordinate with welfare departments and so forth, within States, all of which we are trying very hard to do. But, depending on the level of need, to have TAA continued as a tool next to JTPA and some State moneys that we have here in Ohio for training, we can address better, depending upon the immediacy of the need, by having that in place.

I think the third thing is that TAA gives us an opportunity for longer term trainng. The kind of thing that give us, I think, a greater assurance that a worker will return to the work force, long-term employment, and economic mobility. Unfortunately, the Job Training Partnership Program is structured in a way in which is what I call numbers driven. It responds and it rewards SDA's for shorter term training, more Band-Aid-type programming, and less longer term remedial and skilled training remediation.

Short term is fine for some folks. It is not for others, and I think it is important to keep both of those programs in place. They complement each other tremendously. And, they give us and the States an ability to offer a range of services to an individual, depending on his or her individual needs.

Ms. URBAN-LURAIN. I think Joan summed it up very well. The only thing I would add, Mr. Chairman, is that I think the title III funds will often go to serve workers who may not be served under TAA or vice versa. In other words, you are not necessarily getting the same employer receiving the same funds, and in the case of title III, indeed, the dollars may not be directly allocated where there has been a plant closing. There are other reasons where an individual may be laid off and received title III funds. So, it goes to serve a similar population, but, it does not—the dollars, in some instances, go to serve other than what would be served under TAA.

Ms. **Cozart.** I have an additional distinction, I think, that kind of—thus far, that needs to be made.

TAA tends to allow, or does allow, an individual perspective, an individual consideration in training; thus far, the JTPA tends to go toward groups, and that is a major distinction. You can look at the individual and plan the training and do all of the necessary assistance just for that one person; wherein, JTPA has not allowed that.

Ms. **Urban-Lurain.** The trigger for the dollars to be released is different. For example, and I think Amos spoke to it, under JTPA, at least in our State, a lot of the funds become allocated as a result of requests for proposals that come in and go through a fairly lengthy process to review. And, as a result of that, then individuals, indeed, will be served. I mean, it is clear, you know, an individual CETS service, but the way you get access to the dollars is different from TAA.

Ms. **Cozart.** You do not start with the individual need.

Mr. **Pease.** That is very illuminating. That sort of meshes with my understanding. You have got 40,000 workers that have been unemployed here for a couple of years, yet there is no JTPA Program in Lorain County for unemployed steelworkers.

My impression is that company will apply for a JTPA title III funds. There will be a program worked up and there will be a class, or a series of classes, conducted for 60 employees of that company—former employees. And, all 60 are doing pretty much the same thing.

Whereas, under TAA, one worker might be going to a community college, another might be going to Kent State University, another might be going to welding school, and another might be going to practical nurse school or whatever.

Is that a correct impression?

Ms. **Cozart.** That is correct. That has been thus far, in terms of our experiences in Michigan.

Ms. **Urban-Lurain.** Yes. We, of course, expect individuals to be treated as individuals under JTPA. They are individual development plans or curriculum plans made for them. But, the economy of scale under JTPA comes back again to the performance standards. The service provider gets more points, if he can deal with greater numbers, in less time at lower cost. The lowest cost is not always the best service. However, the message that comes in through the performance standards set out by the Secretary for JTPA is the shortest time, the most people, the lowest cost.

TAA really gives us an opportunity to respond to individual needs. Maybe, it is an associate degree; maybe, it is a further college degree; maybe, it is a 6-month high intensive technical training, but we do have options. We are not constantly worried about numbers given by the Federal JTPA performance standards.

I think that is one of the reasons they do not really understand. Well, I think they understand what they are saying, but they do not want to understand the benefits under TAA. Individuals are served under TAA, go back into the job market, for the most part, and stay there. It is not a bandaid program, and I think that is a major plus.

Mr. **Pease**. Mr. Haynes, in your testimony, I am just looking at a chart you have as an attachment, it says that you trained 675 people under the Trade Adjustment Act, and it costs $797,000, and you trained 1,068 persons under title III at a cost of $3.4 million; it looks to me like a little over $1,000 a person, maybe, $1,100 a person under TAA, and maybe $3,000 a person under JTPA.

Is that a common pattern, or is that just a particular result of a given period and given circumstances?

Mr. **Haynes**. I would have to think that it is the latter.

Mr. **Pease**. It is the latter?

Mr. **Haynes**. Yes.

Mr. **Pease**. Typically, TAA is not cheaper or less expensive than JTPA?

Mr. **Haynes**. No.

Mr. **Pease**. OK. Is it a significant problem that TAA is administered by the local employment office, and JTPA is administered by the local PIC council, and that there is confusion on the part of the unemployed worker who does not know which way to turn, because of possible overlapping, or whatever? Is it a problem now that these two programs are administered, essentially, on separate tracks?

Ms. **Cozart**. I do not think it has been thus far. One of the—as we mentioned earlier, there is such a unique tie-in with unemployment insurance and TAA that the person is already registered, you know, has to be, or should be registered with the employment office before he or she is drawing the unemployment insurance. It is almost unnatural for the Job Service to do that, wherein what has happened, of course, Jan can correct me if I am wrong, in the other areas, with title III, as she mentioned, all the programs are primarily through requests for proposals and are given to special service deliveries, which have a clientele which enter those programs and is not just an individual who, all of a sudden, decides he or she needs service; that goes into the SDA and says, "Enroll me in the title III."

Ms. **Urban-Lurain**. In Michigan, we do not, by formula, give the title III moneys to the service delivery areas. They are one of any number of entities that might compete on a state-wide basis for those funds. So, there is a slight variation in terms of the delivery systems we use.

I think I have heard throughout the questioning of this panel an underlying tone. I want to speak to this, Mr. Chairman, if you do not mind.

This whole issue of we have all these delivery systems out there. Is that, No. 1, confusing; and, No. 2, should we do something about it?

To the first question, I would have to say yes, I think it is confusing, as an individual. At one point in my life, I was unemployed and I had to try to figure out how to get through the system. I would go different places and I would be told different things about different programs, with acronyms that, at that time, I did not know what they meant. And, I am sure it is no different for individuals now trying to come in off the street to get access to services, and I know in Michigan, and in a lot of States, we are now concerned that employers do not know how to get access to the services. So, is it confusing? Absolutely.

But, the second part of the question is the harder one, and I know we address it at the State level, and it sounds like you are trying to address it at the Federal level, and that is which of the delivery systems is appropriate.

And, to that one, I think, it is not an across the board answer. Some delivery systems are appropriate for some populations in some geographic areas. And, in some cases, in Michigan, probably, the employment office is probably the better delivery system than a service delivery area, in terms of accessibility and interest in its clients in the types of services it delivers; how well it delivers the service. So, when you start to answer that second part of that question, what we tend to try to do is coordination. And, Joan has spoken to how, in Ohio, they come up with pots of money and they try to work it out, and, in Michigan, we are doing the same.

And, I think, at the Federal level, to say back to you, I do not know which of those systems is the most appropriate, but we have a number of them out there, and, at least, what we are trying to do is lace them together in some way that makes sense for a common outcome, and maybe that is what we should be studying at the Federal level. Then, let the systems fall in after that.

Mr. **Oberstar**. Mr. Chairman, will you yield?

Mr. **Pease**. Yes, sir.

Mr. **Oberstar**. Is not the issue responding to the needs of those who require training, and not simplicity in what the Government is doing? You have a multiplicity of needs, and there ought to be some diversification in Federal and State programs that respond to those needs.

I do not worry so much about the complexity or variety of programs as I do about the attitude of the people in the administration who say, "We have too many programs. Let us eliminate them. Let us combine them into a single program. Let us create block grants for such and such."

After all the programs are included in one block grant the attitude is: "We can cut out that program. Now, we can eliminate some of those funds. There is where we can save money to build another MX missile." This is where we lose out; we lose the flexibility, we lose the quickness of response, and we lose real dollars. We have seen that happen across the board in the last 4 years.

Ms. **Hammond**. One of the problems, for me, with the Reagan administration, is that the so-called "New Federalism Concept," which is a sorting out of services, has been used as nothing, to date, by them, other than as a budget-cutting tool.

However, I think there is some real merit in this sorting out of services, and I think that is what all of us in the States are attempting to do so that multiple service providers do act as a total system in serving individuals.

I sense that is where you are trying to go. In Ohio, for example, because the JTPA Progam is administered within the security agency, along with UI, and with the employment service, and WIN, and TJTC, and all the rest. We have a better handle, admittedly, on forcing some real linkage and coordination in administrative togetherness than people do in a lot of other States, but that is basically our goal. It is to make it easy for the employer, who needs the manpower, and easy for the person, who needs the job and wants to enter, re-enter, or stay in the job market; to bring them together, basically.

Mr. **Pease**. Thank You.

Mr. Bright.

Mr. **Bright**. I might add that earlier you asked what were some of the clear distinctions between title III and TAA. Not to be facetious, but to be realistic, one of the things that title III has that TAA, unfortunately, does not have is final printed regulations. TAA does not have any regulations, very little guidance. Recently, there was a round table—there have been several round tables. The employment training professionals in region 5 have made an honest effort to get the Trade Act folks and the title III folks together to see how we best can marry these programs together, as they are right now. And, it is sad, when we all get together and find out that each of the States, the TAA Programs, run a little bit different, because there is no clear, concise guidelines and directives at the Federal level. And, that makes it even more difficult. And, if any success realized at the local level in terms of finding the benefits of both programs, and utilizing them, and maximizing them for the benefit of the recipients is clearly as a result of the local officials working together.

And, we have, at the State level, met with service delivery area chiefs to sit down and explain, "OK. We have this group of workers who, since you have been working with them, have now become certified for TAA. Let us see what it is that you are planning on doing. Here is what we can provide. How can we marry this together and maximize our resources?" And, we have had several successes in that area, not only in Ohio, but I am aware of Indiana and some other States that have done the same.

Mr. **Haynes**. Minnesota.

Mr. **Pease**. OK. Thank you very much. I accused Mr. Levin of prolonging the hearing with philosophical questions; mine have been quite specific. I have not come to the end of the list, but I think I will just cut myself off. I would really like to express the gratitude of myself and the other members of the panel for your willingness to share your expert knowledge with us. I think it has been a very, very enlightening panel an we are most grateful to you.

If possible, we do not want to let you off the hook entirely. If you would be willing, we may want to submit some additional questions to you for statistical information that might be helpful to us, and, at this point, we will hold the record open for anything of that sort.

So, again, I thank you.

Mr. **Obserstar**. Mr. Chairman, may I add my comment? I sat in congressional hearings for nearly two decades, and I want to say that this is the finest presentation I have heard; very thoughtful consideration of government programs, very specific and useful suggestions. We are very grateful to you.

Ms. **Cozart**. Thank you.

Ms. **Hammond**. Thank you.

Mr. **Pease**. Our next panel, at long last, is made up of people who are involved in the delivery services at the local level, Ella Tomka, Ken Burich, and Robert Wilson, if they would take there places, please.

And, while they are doing that, let me acknowledge, or mention, that the legal stenographer that we had hired to make a record of these proceedings apparently had an automobile accident and never did arrive. So, we are indebted for our record of these proceedings to some folks from the UAW, who have videotaped the whole hearing. They originally came to video-tape only a small part of it, and they wound up staying for the whole thing, and we are really grateful to them for filling in.

Well, the first person we will hear from in this forum is the legendary Ella Tomka, whom you have heard so much about from other witnesses today, as TAA representative and employment counselor, the Ohio Bureau of Employment Service in the Lorain office.

Ella.

STATEMENT OF ELLA TOMKA, TAA REPRESENTATIVE AND EMPLOYMENT COUNSELOR, OHIO BUREAU OF EMPLOYMENT SERVICES, LORAIN OFFICE

Ms. **Tomka**. Thank you for having me here. I always enjoy talking about the TAA Program, because it is so much a part of the existence of the Employment Service since we are dealing, most generally, with the U.S. steelworker.

I have a speech here, but it is not anything that I want to discuss at this time. I have heard so many points mentioned that I thought I would bring up a few of them, and if things get tough. I will go back to my speech.

We do identify the workers that are affected. We do contact them via calling cards, as Doug Bright mentioned. I am glad that point was brought up, because I was going to mention it myself.

The other thing I want to say to you, too, is that unions have meetings with the people. But, I think the biggest part of the problem was a lot of people expected really to be called back. There were many instances where workers were called back and then laid off again. And, I think a lot of the workers were holding back waiting to be called back, and figuring that this would mean that they would not have to seek further training and would not have to seek to relocate.

For many of them, they have been out of school as many years that they have been, and it was a difficult transition, but it was well met by many. I have many, many stories to tell you about people that have completely turned around. I have an older gentleman—I was going to respond to that gentleman that was here from the Union who mentioned the youth on the panel this morning. I have a gentleman that was in his late forties, who completed training with a degree in mechanical engineering, and after he had come to the program, He said: "Well, I do not think there is much I can learn because I have already got a degree." But, in seeking it out and checking it out, I told him he might check the High-Technology Program, because his training would be outmoded. As it happened, that is a success story. This gentleman did complete training, but all he needed was to take about 6 months. He is now working at $43,000 in Illinois as a result of the TAA training.

I do believe it has a place, and we have a need for it. I am the one that can tell you because I deal with the individuals on a daily basis.

I also can tell you about the job search and relocation. I have placed people in Texas, moved them to Texas, moved them to Florida, to California. I do know the merits of the program, and I certainly think it should be continued.

I also heard a comment about teachers. I had a gentleman who needed just 9 credit hours to complete to a master's. We gave it to him. He is now teaching at Mid-View High School.

So, if you want to know about the heart of the program come to the local employment service where it does happen.

Thank you.

[The prepared statement follows:]

Statement of Ella Tomka, TAA Representative and Employment Counselor, Ohio Bureau of Employment Services, Lorain Office

The TAA Program has provided to the participants involved an opportunity to upgrade present skills and in other instances provide them with training to obtain a new skill. To someone suddenly out of work, attempting to seek employment, realizing the years of experience in a particular field does not of necessity apply to the existing jobs; the frustration and the lack of self worth comes into play.

An affected worker is identified by the petition number assigned, and reported to TRA in Central Office Columbus. They generate call in cards for each local office where the applicant is registered for unemployment. Call in cards are men sent to all with a time and date to report. When applicant/ claimant reports an application is taken to determine eligibility for basic TRA. The claimant is then referred to the Employment Services section for further explanation of TRA rights/benefits: training available, job search and relocation.

To have been out of school for many, some, as long as 10-12 years to face the challenge and opportunity provided under the program has been well met.

The programs available, include Electronics courses, High Tech courses, in demand by employers throughout the United States: Management-Business courses, Accounting and Diesel Mechanics are in demand. The trainee pursues the course of study in the hope that upon completion a job is in sight. The TAA Act again comes into play recognizing the fact that the lack of jobs in the area constituted the need for the Act which provides job search and relocation. Upon completion of the courses of training, student-trainee's may apply for job search, upon a bonafide notice of referral obtain funds up to 90% to cover expenses for the interview. Should the applicant then secure the job TAA supplies the necessary funds towads the relocation, again to 90% of the total.

The JTPA program provides training in many of the areas listed but a trainee completing to an Associate degree has a much better opportunity for employer acceptance.

The Trade Adjustment Act has provided an aura of hope and confidence to the people involved. In looking back over the last two years seeing completion to an Associate Degree sending people via relocation toward a new career and lifestyle, I feel the program has been a credit to the proponents of the Act and should be so reviewed.

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100 LCCC Students Honored at Honors-Awards Convocation

Elyria.—More than 100 Lorain County Community College students were honored when the college held its 16th Annual Honors and Awards Convocation.

The Student Senate and Collegian Unsuing Hero/Heroine of the Year Award went to Bob Smart of Rocky River. Smart also took the Program Board Outstanding Service Award and a Program Board Service Award.

Elizabeth Geisler of Grafton, took the Student Senate President's Award for Outstanding Service, a Program Board Service Award and a Student Senate Service Award.

The Club Advisor of Year Award was presented to Warren Rodgers, of the Outdoor Activities Club, and the Student Senate Club of the Year Award went to the Outdoor Activities Club.

The Newman Club received the Student Senate Most Improved Club Award.

The Merchandising/Marketing Student of the Year Award went to David Combs, Elyria, and Lawrence Shivak, also of Elyria, took the Mathematics and Physics Award.

The Jack E. Zagrans Memorial Award was presented to Herb Ross, Elyria. Lori Bayley, Avon Lake, received the George M. Day Student-Athlete Award.

The Eddie Forseth Memorial Award was presented to Dan Squires of Lorain.

Braden P. Polansky, of Avon, was presented with the Theatre Distinguished Service Award. The Richard A. Ehlke Memorial Award for Theatre Excellence was presented to Sheri L. Laker, Lorain.

Receiving Student-Written Essay Handbook Awards were Edward Charney, Rocky Rive, and Eduardo Torres, Lorain.

Thaddeus M. Pikeski, Elyria, received the Wall Street Journal Student Achievement Award of a one-year subscription to the Wall Street Journal.

Business Division Certificates of Recognition went to Scott L. Saari, of Avon Lake, for Banking and Finance; Betty J. Anderson, of Spencer, for Data Processing; Kathleen Satullo, Avon Lake, for General Business Management; Deborah DiCarlo, Sheffield Lake, for Merchandising and Marketing Management; Susan R. Mitchell, Westlake, for Pre-Professional Business; and Carolyn J. Janosko, LaGrange, for Secretarial Science.

Student Senate Service Awards went to Jeff Webb of Amherst; Marilyn Morales of Lorain; Linda Poore of Elyria; and Tammy Bell of Grafton.

Outstanding Engineering/Computer Technologies Student Awards were presented to Robert Burford of Lorain, for Robotics, Ronald Crayton, of LaGrange, for Microelectronics; Dino Garcia, of Lorain, for Computer Systems, Nick Keesee, of Elyria, for Computer Numerical Control; and David Spanski of Amherst, for Computer Alded Design.

Certificates for Those Dedicated to the Advancement of the Student Nurse Association went to Claudia Hambly, Sheffield Lake, Patricia Kane and Sue Conley of Lorain, Cindy Trumble of Elyria; and Carrie and Debbie Stadnicar of Avon Lake.

Cliff Lavy of Litchfield and Debbie Richter and April Sutton of Avon Lake took Forensic Awards.

Collegian Journalistic Achievement Award went to Michael Chavez, Jackie Simmons, Ron Jantz and Herb De la Porte of Grafton, Cathy Daso and Chris Serazin of Elyria; Jacque Kovacs and Mark Pesarchick of Sheffied Lake; Bob Migra and Ted Toothman of Lorain, Kim Perkins, Yvonne Stella and April Sutton of Avon Lake.

Receiving Program Board Service Awards were Mary Beth Emmerich, Linda Poore, Michelle Porachan, Ruth Sterra, Kirk Sharrock, Anita Grobe, Karen Koker and Tony Papay of Elyria; Tom Gallo and Brady Polansky of Avon; Chris Konik and Patty Popovich of Vermilion; Jan Myers, Donna Pribisich, Marilyn Morales and Lupe Velasquez of Lorain; Cindy McKain of Sheffield Lake; Trenton Simonson of Wellington and Jeff Webb of Amherst.

Recipients of the Elyria Branch of the American Association of University Women's Academic Excellence were Peggy J. Asension of Lorain and Marilyn L. McMillan of Wellington.

Mr. PEASE. Thank you very much, Ms. Tomka.

I think we can probably extract a lot more useful information from you than you volunteered in those few minutes, but we will get to that in a minute.

Our next witness is Mr. Ken Burich, who is director of the Job Training Partnership Act for Lorain County.

Ken.

STATEMENT OF KENNETH R. BURICH, DIRECTOR, LORAIN COUNTY TRAINING OFFICE

Mr. BURICH. Thank you for having me here. I had a prepared statement, which is brief, and then, as I listened to other people speaking, I realized that we were all coming in on the same wavelength. So, even as brief as it was, it was convered by quite a few people.

I think, as Ms. Tomka has stated, the real information, the real personal information, you get about these programs has come in from the local level. I am sure in her case—I know it has been true in my case—that many of the people who come into our office seeking assistance are people that you either know, or my staff knows, from various experiences in the past, and it is very difficult to sit and talk to people, and listen to what they want, knowing what we can provide, knowing the amount of time it is going to take, and realizing that the real problem we have here is that while we want to train people, and we do have sufficient funds to train people, at least on a short-range basis, there is not enough going on in our areas as far as economic development goes, job creation, so that we are talking about training people from jobs that do not necessarily exist in our location.

We can have trainers come in, people who submit proposals to us, saying that: "Yes, we can train 30 people and place all 30." The question that we are concerned with is where? In too many instances, it is Texas, California, Florida, and places like that. And, we are torn; the staff, the Private Industry Council, the county commissioners, who are administering this program, it it worth our—what is the greatest asset; training a person, and getting him off the welfare rolls or unemployment rolls; and moving them out of State, or hoping to train them here, hoping to place them here, and keeping our tax base up?

I guess the thrust of what I am saying is that when we look at the programs that are proposed to us, we are hoping that they have placement in them in local industries, and, frankly, we do not see that much of that, because our economy in this area is not expanding. Our economy is staying pretty static.

The gentleman from Minnesota talked about the problems in the mining industry, and I am not familiar with northeastern Minnesota, but I think that their miners are out of work because our steelworkers are out of work, and one is tied to the other.

We need much more involvement in economic development and job creation in this area, so that when we sit down and look at programs, and try to train people for areas of employment, we will find them there.

I think, also, that TAA does have a value, many values, but the one I speak specifically of is that it allows someone to train for a long period of time.

Too many people come into our program who are ill-equipped for training. They have been working for so long, and they have just a general type of education, but what they need now is to through remedial programs to get their GED's, to bring themselves up to a point where they can go into training. That, of necessity, takes time. The training also takes time. We try to tailor our training programs to the shortest amount of period as possible so that people, who are losing their homes, who are having their problems with their families, who cannot make their utility payments and so on, can get in and get out.

Unfortunately, what we are finding is that, while they are being trained, employers, then, turn around and say: "Well, yes; they are trained, but we want somebody with hands-on experience, somebody who has much greater experience in the type of areas that we are talking about than you are able to give these students."

We are caught in a numbers game. The trick is to train as many as cheaply as possible, as quickly as possible, and put them to work. We can do that in some areas. The service areas, which are just starting to develop in Lorain County, but those, of necessity, are low-paying jobs.

So, we have a lot of problems here that we are trying to face. I know it is not just our area. I think that the private sector must get involved much more greatly in our area if JTPA, TAA, or anything else, is to succeed.

I think, last, one of our problems in this area in that too many of our large companies that could help out are not locally owned. They are either nationally owned or subsidiaries of nationally owned companies, and the involvement in the local job sector is not as great, or job training program area is not as great, as it might be if they were locally owned. So, that is another barrier that we have to overcome.

And, the Private Industry Council, I think, is trying to solve these problems, but, because of the lack of membership from large companies in this area on the Private Industry Council, partly because they would just rather not get involved, we continue to have problems in placing people.

So, with that, I will close.

[The prepared statement follows:]

STATEMENT OF KENNETH R. BURICH, DIRECTOR, LORAIN COUNTY JOB TRAINING OFFICE

As Director of the local Job Training Office, I am very familiar with the employment situation in Lorain County. Our country has been severely damaged by the recession of the early 1980's. Because we are oriented towards heavy industry and because that sector of the national economy has been so slow to respond to the economic improvement evident in other parts of the nation, Lorain County is still in a recession.

According to figures released by the state, over 10 percent of our working population is unemployed. In reality, the number of jobless is probably double that total. In order to improve the job prospects of our residents, our local office has attempted in the past two years to structure training programs which will give skills to the unemployed and thereby increase their chances of obtaining meaningful employment.

The only Title III program for dislocated workers within Lorain County began last fall at the International Rockwell plant located in Wellington. The plant is scheduled for closing later this year. The program itself has been operated by Jeanne Sullivan in conjunction with the plant management and local union and has undertaken the responsibility of retraining the workers not only in the area of new skills but in making them aware of the work world as it is today. The program has been able to place many of its participants in other positions or in training programs. Our local office has also been of some assistance in finding jobs for some Rockwell personnel.

While the Title III program as well as the county JTPA program have met with some success, both are having significant problems due to the fact the local economy is not expanding very rapidly nor are new businesses and industries moving into the area. The dilemma we face is training people for non-existent jobs. More emphasis on the national, state and local levels must be placed on job creation or we are training residents to move from this area to other parts of the nation, thereby depleting our tax base. Job training in and of itself may work in areas of very low unemployment but can succeed in areas similar to ours only in conjunction with an aggressive, well-financed job creation program.

Mr. **Pease**. OK. Thank you very much, Ken. I really appreciate that testimony.

Next, we will hear from the most patient person of all, Bob Wilson, recording secretary of the Lorain County Federation of Labor, AFL-CIO, who can, hopefully, tell us from the perspective of workers who get laid off how they see the TAA Program.

STATEMENT OF ROBERT M. WILSON, RECORDING SECRETARY, LORAIN COUNTY AFL-CIO FEDERATION OF LABOR

Mr. **Wilson**. Thank you, Mr. Chairman.

One benefit of being last is that just about everything has been covered heretofore, especially the last panel that answered about everything except who is going to win the World Series, but, from organized labor's point of view, the TAA provides a very great benefit that title III of the Job Training Partnership Act does not, and that is income maintenance.

And, as a labor educator myself, one of my three part-time jobs, I can testify to the fact that you cannot feed knowledge into a head until you fed some beans into the belly, because they are not receptive. They are not even going to search out training as long as they have to try to eke out a living in one way or another, whether that be at a job at the minimum wage and below their capabilities, or whether it is into the underground economy, or they may give up completely and go on welfare.

In each and every instance, it is a loss. And, especially in Lorain County, where we have had such a loss of some well-paying jobs. There were 4,600 jobs lost in the steelworking industry, and that erodes the tax base terrifically, as can be attested to by the fact that Elyria raised their income tax by half a percent, Lorain raised theirs by a half percent. The county is looking to raise taxes, and, of course, the State raised the income tax recently, too.

So, we need the training programs to enable people to get the well-paying jobs again. And, the TAA provides the opportunity to enter into a little bit of a longer training program. We need not be looking at the short-term all the time.

So, in summation, Mr. Chairman, Mr. Gephardt spoke of the covenant that was entered into between Government, business, and labor. Now is not the time to break that covenant, because the people in the labor community need it more so than ever.

[The prepared statement follows:]

Statement of Robert M. Wilson, Recording Secretary, Lorain County AFL-CIO Federation of Labor

On behalf of the Lorain County AFL-CIO Federation of Labor, I am happy to have this opportunity to present our views on training of dislocated workers, and I thank the Subcommittee on Trade for the invitation to appear before them.

The Lorain County AFL-CIO Federation of Labor is comprised of 42 local unions and councils representing approximately 21,000 trade unionists in Lorain County, Ohio. These are hardworking Americans who take pride in their work and are devoted to their families, community and country. While these trade unionists are now employed, it is entirely possible they themselves may one day have to avail themselves of training to qualify for employment in other than their present fields.

I say this because as the balance of trade deficits continue to mount, and our shores are continually assailed by less expensive imported goods, those gainfully employed now may become the statistic of tomorrow.

A scant five years ago, in June 1980, the labor force estimate for Lorain County, Ohio as released by the Division of Research and Statistics, Ohio Bureau of Employment Services, prepared in cooperation with the Bureau of Labor Statistics, United States Department of Labor, stood at 130,475. By April 1985 these estimates reveal a labor force numbering only 113,552 resulting in approximately 17,000 people lost from the labor force in the five years, and does not take into account the many discouraged workers no longer counted in the labor force.

The exact composition of the 17,000 plus people lost to the labor force is not known by me. However, I do know that one of our affiliates, Local Union No. 1104, United Steelworkers of America had 7,508 members in June 1980. By May 1985 this figures had shrunk to 2,858—a loss of 4,650 members. To this figure one must add in hundreds of supervisory and clerical workers who also felt the sting of job loss during this period. The problems facing the beleaguered steel industry are well known. It continues to be ravaged by foreign imports which recently accounted for as mush as 33 percent of the United States steel market. As a result of these imports, sustained largely by a long list of unfair trade practices, steel employment fell to less than 69 percent of 1979 levels. As shown, Lorain was not spared.

The market share of imported steel has abated somewhat. However, this is of no direct benefit to the thousands of Lorain Countians who have already been displaced from their steelworking jobs. Their problems continue.

The impact of losing a job can be summed up in one word—misery. Human misery brought about by the inability to answer the questions of how to put food on the table; how to make the mortgage payment; how to provide medical and dental care for themselves and their families; how to pay for the car, the furniture, the appliances and the other unpaid bills that continue to mount. And equally important is trying to overcome the stigma that our social-darwinistic society places on unemployment.

The question can be answered and the stigma erased by finding employment. But with a surplus labor force now in existance, finding employment in a new field is not easy. The longer the unemployment line the easier it is for prospective employers to erect artifical barriers to employment, such as educational attainment or skills training. Even though most job skills are polished by on-the-job-training, one must now possess a diploma or certificate attesting to their skills before they are given a chance to prove themselves in a new job.

That is where training programs like Trade Adjustment Assistance and Title III of the Job Training Partnership Act become beneficial. They offer a springboard to dislocated workers to enable them to vault over the artificial barriers placed in their way.

THE TRAINING PROGRAMS—JTPA

In addition to the decimation occurring in the steelworkers' ranks, other residents of Lorain County have suffered job loss due to a variety of reasons. In recent years the following companies have closed their doors or severely curtailed operations:

1. Tappan Company, Elyria, Ohio.
2. Bendix-Westinghouse, Elyria, Ohio.
3. Pfaudler Company, Elyria, Ohio.
4. Harris Corporation, Elyria, Ohio.
5. Brown Fintube Company, Elyria, Ohio.
6. American Shipbuilding, Lorain, Ohio.
7. Rockwell Corporation, Wellington, Ohio.
8. Winko-Matic, Avon Lake, Ohio.

One would think that with the large job loss in the steel industry coupled with the job loss from the above, that there would be a few providers interested in securing funding under Title III of the Job Training Partnership Act. The opposite is true. As a labor representative to the Private Industry Council of Service Delivery Area #19, Lorain County, Ohio, there have been no generic Title III programs funded. One company from above, the Rockwell operation in Wellington, has applied for and received funding for its employees.

In personal conversation with several potential providers, I have been told that their reluctance to bid is due to the matching fund requirements, the complicated and confusing "Request for Proposal" process, and the length of time for approval and receipt of funding. Much the same criticism has been outlined in a report issued by the National Association of County Officials.

In addition to several queries from potential providers, I have received telephone calls from individuals concerning the Job Training Partnership Act. Of those that appeared to be Title III qualified, I could offer no help other then referral to the JTPA Office in Elyria in the hopes they knew something I did not.

Two cases in particular stand out. In one instance, a local resident had lost his job as a pressman when the Cleveland Press went out of business. I informed him that I knew of no Title III programs in Lorain County and advised him to call the JTPA Office in Elyria. Over the next several months I had other telephone calls from the same gentleman seeking help, for which I had no suitable answer, other than to apply for Food Stamps, then Welfare.

This is a case of a human being, talented in his own right, but unable to secure employment in his field. There were no Title III programs available to help him, and he still owned a few assets which prevented him from being Title II qualified.

Perhaps if Title III funding was more readily available, some help could have been offered this man in his efforts to become a self-sufficient member of society again.

In another instance, a woman called because the plant where she worked with some 50 other employees was shutting down. She wanted to know if there was any help available. I explained my understanding of Title III and suggested the company and its employees could apply for Title III funding. She then asked about income maintenance under Title III to which I had to answer, "Perhaps some expense money." She indicated that for her and some of here fellow employees, income maintenance was of prime importance since they had families to worry about. Follow up calls made to her from a colleague proved to no avail. Income maintenance was the stumbling block.

Unemployment Compensation answers the question of income maintenance only if the Title III client can find a suitable training program that does not exceed the number of benefit weeks.

The Lorain County AFL-CIO Federation of Labor believes that Title III of the Job Training Partnership Act could become an effective tool in helping dislocated workers find employment if:

1. If income maintenance were provided throughout the duration of the training period, subject to reasonable limitations on duration;
2. The matching fund requirements under Title III were eliminated;
3. The application and certification process would be simplified and expeditiously handled; and,
4. Once approved, the provider would receive the grant allocation in a timely manner.

THE TRAINING PROGRAMS—TAA

Since I am still working towards my own bachelor's degree, I have had the opportunity to meet several peers who were attending college thanks to Trade Adjustment Assistance. They were unanimous in support of the program, especially the provision for income maintenance. By eliminating the worry of how to provide for themselves and their families, they were able to undertake training and apply themselves diligently thereto.

However, there were complaints about the Trade Adjustment Assistance Program. At the top of the list was the length of time it took for certification which, for some, delayed their entrance into a training program. Another complaint was that the benefits should be expanded and improved. It takes luck and skillful timing to finish a training program, receive the necessary guidance and counseling, make the job search and land a job before the exhaustion of weekly benefits.

It is the hope of the Lorain County AFL-CIO Federation of Labor that the Trade Adjustment Assistance program will continue to provide help to those American workers who find themselves jobless due to imported goods. We feel this program could be extended and improved, a quicker, easier certification process could be devised, and services could be delivered in a timely manner. The funding for this program would be through tariff revenues which would inextricably link the cause and the solution.

CONCLUSION

In conclusion, we feel that the Trade Adjustment Assistance program should continue, and continue on an expanded basis. The Title III of Job Training Partnership Act is woefully inadequate to absorb those that would qualify for trade Adjustment Assistance. Furthermore, without some type of income maintenance, many potential users of these valuable training programs will simply forego training in order to eke out an existence for themselves and their familites. To some welfare would be the answer; to others it would be to a low-paying job beneath their capabilities; and to yet others the underground economy. In one instance, a drain on social programs; in the next a loss of a valuable human resource; and, in the last case, a loss to the tax base. In every instance comes a loss of self-respect and dignity.

Lastly, the question should not be so much what we can or cannot afford to do, but rather what we must or must not do. Thank you.

Mr. PEASE. Thank you very much, Bob.

Thanks to all of you.

I think I will start off with the questioning, and then see if Mr. Levin would like to pursue it further.

Ms. Tomka, there has been some discussion by others and by you of the emphasis on young people. In fact, our first panel was made up chiefly of young people. You cited an example of someone who is not such a young person, and I will say I have had some concern about that. The people that come into my office and talk with me and have talked with me and have been most interested in TAA, and have taken advantage of it, have usually been workers who are 29, 30, and 31 years of age, having worked 7, 8, or 9 years in this field out at Ford or GM, and are not that far out of school, so they can still think in terms of going to class and so on.

I am wondering whether the same degree of utilization for the TAA could occur with a typical worker who is, say, 45, 50, or 52, who had worked at United States Steel for 25 years, and is now laid off, and there is no chance of going back. What is your experience working with those older workers of that generation?

Ms. TOMKA. Well, generally, those people that have come to me that were older had some background in education to begin with. This was more of an opportunity to upgrade their skills more than seeking an entry level, if you will, or pursuing to an associate degree. They were all generally people that just needed upgrading.

Mr. PEASE. So, if we dealt with somone who is skilled tradesman in the United States Steel plant, that had a skill specifically related to making steel, it is not transferable elsewhere?

Ms. TOMKA. Right.

Mr. PEASE. And, that person maybe did not graduate from high school 25, 30 years ago, and comes in to see you about—or maybe he does not come in. I guess that is the question. Is that person, do you think, a likely prospect for Trade Adjustment Assistance, or do we need another program to take care of the person?

Ms. TOMKA. Well, in many instances, when it is a situation of that kind, and you find somebody that does not have the education level. I generally inform them of the JTPA Program, wherein, if it is at all possible to get a GED; two, if they, in fact, want to pursue other training, I would direct him to that program, because, in many instances, their main interest is a job. So, then, I do inform them of the JTPA Program, so they might consider that opportunity as well.

Mr. PEASE. I think, again, for the record, we ought to make the distinction, that when you refer a steelworker of that sort to the JTPA Program, and that person is not eligible for JTPA, if that person's spouse is working, or if that person has assets, and would not be eligible for the normal part in title III, as we have heard, are there program available?

Ms. **Tomka**. I understand what you are trying to say, but it is generally those people who would not be entitled to any benefits if they were in the TAA Program, and, generally, it is a discussion between the applicant, who says, "I do not want to spend a long time in school. I would like to see—and, generally, they are talking about OJT possibilities. So, the opportunity for an on-the-job training possibility should be available to them through JTPA, and all those steps are taken because we do the eligibility for JTPA in our office as well.

So, it is generally knowing the applicant fairly well as to what the possibilities might be available to him.

Mr. **Pease**. I see. Could you review for the subcommittee how the job search and job relocation portion of TAA actually works in practice? Where do people go, or how hard is it to get approval to give them money? Do you require receipts, that sort of thing?

Ms. **Tomka**. I do not believe it is all that difficult because it is clearly spelled out in order for you to be eligible for any kind of benefits, certainly you need the proof that the individual did, in fact, go on a bona fide interview. First of all, they are told that they must go—they must obtain for us a letter stating, in fact, they do have an interview, say, it is in Boston. So, we make out the forms, and, of course, we have to determine their eligibility for it based on the Federal guidelines.

So, then, that person comes in and does, in fact, have to bring to me the original receipts of either a plane trip, his meals, and his motel costs. All these things are taken into consideration. They are submitted. And, I do not think they are that much of a problem because once they are submitted to the TRA office unit in Columbus, it is within 14 days that they have an opportunity to collect their money.

The only time that a problem occurs is when someone, who has, in fact, gone past the date of acceptability, and this is clearly told them when they come in. They are given a booklet. It is totally spelled out to them.

So, I think, in a lot of times, I think, people are just distraught and hopeful that they could, indeed, be eligible for it.

In the matter of the relocation, say, this man gets the job in Boston. We, then, ask for moving estimates from him, and the number of people that will be going, and the time of their moving, and we also state we must have a letter stating they are, in fact, employed.

So, these are the requirements for that. And, we do move them up to 10,000 pounds of furniture. I think it offers a lot to the applicant. I think it is an excellent program.

Mr. **Pease**. Is it a requirement that the worker get your permission before going on the interview or out to the interview?

Ms. **Tomka**. When an applicant is involved—when an applicant is told about the TRA Program, and they come into the office, all things are discussed with them there. They have the option, if they choose, to fill out an application at that point for a possible relocation and/or job search. After which, the requirements must be met.

So, there is no problem with when they might apply. When a person is in training, they have an opportunity up to 180 days.

upon completion, to, if, in fact, they have a job opportunity, to be sent on a job interview, and, also, should it happen, be moved.

Mr. **Pease**. When we talk about income maintenance that goes along with TAA, as a distinction between that and JTPA, we are sometimes told that that is not an advantage of TAA, but from the point of view of the Reagan administration, that is a disadvantage. They will argue that people will sign up for training in order to qualify for the additional 6 months of weekly income maintenance, that they are not really interested in the training, but they will sign up for it just to get the additional weeks of benefits.

In your experience, is there any validity to that?

Ms. **Tomka**. In my experience, I am very happy to say I am not a Pollyanna, but I will tell you I think we have had a very great measure of success and people completing their programs.

Many people may have, in fact, indicated they wanted to drop out, and, in fact, have, but they will be back, and say, "May I be considered again, because I found that the training was helpful to me, and the opportunity for employment, upon completion of training, is there?" So, truly, I think those are a very scattered few in this area, I might add.

Mr. **Pease**. We have had some discussion about the fact that an advantage of TAA is that workers are in a longer term of training. What are the limits of eligibility? Say an unemployed worker comes into you tomorrow and says, "I would like to go to college to get training to be this or that", what is the actual length of term for which you can provide tuition and books for that person?

Ms. **Tomka**. You are speaking of the term that they will be enrolled. The TRA Program offers up to 104 weeks of training. So, this can lead to an associate's degree, an accomplishment to that, at the end of that program.

Mr. **Pease**. 104 weeks?

Ms. **Tomka**. That is right. That is what is provided in the Federal guidelines; 104 weeks of training is what the TRA person has the ability to get.

Mr. **Pease**. And, that is actual training in time, not counting vacations and that sort of thing?

Ms. **Tomka**. No. That is actually training weeks.

Mr. **Pease**. OK. Good luck.

Ken, I am interested in your comments about the Title III Program that Rockwell put out. Do you get involved in that at all, or is that done entirely between Rockwell and the State office?

Mr. **Burich**. That was done, I believe, between Rockwell, the local union, and the State office. We were involved in the initial meeting to discuss the various options that could be followed, and, then, from that point on, it was basically handled, as we said, between the State, the union and the local company.

Mr. **Pease**. In an earlier conversation between yourself and me, I thought I got the impression that you are not very much aware of the TAA Program. Is that a problem in terms of coordination? You deal with dislocated workers, and Ms. Tomka deals with dislocated workers. Do we need some mechanism whereby you are better aware of what can be offered to unemployed folks, if there is no Title III Program that you can put them into, that you can say, "you ought to go over and see the OBES?"

Mr. **Burich**. Well, you are correct. I did not know a lot about it until today, maybe more than I ever wanted to know about it. But, the OBES, the Ohio Bureau of Employment Services, sees our clients initially, and I think it is, as she is saying, purpose and also what they are doing is to steer those eligible people—I mean people who are eligible for TAA into TAA. And, I think they are doing that.

We are getting those who are no longer eligible, those who maybe were never eligible, and trying to do the best we can with them.

And, the reason I mention that I—I want to take this back in a way, that I know more than I want to know. I think the point he brought up and the points that were brought up before about the income maintenance has had a great impact on our program, as compared to CETA. I recently became aware that it is one of the statistics that you compile and then just put away somewhere, but it came up again. In the last year of CETA, we processed over 5,000 applicants. That was with income maintenance and minimum wage to go to a class, to attend class.

This year for JTPA, we are pushing 1,300, and, hopefully, we will get to 1,500 by the end of the program. And, I cannot help but think that the lack of income maintenance is a detriment to those people who either do not want to get into the program, or who, basically, want jobs, but will take training if there was some way to sustain themselves and the family.

If I may just go on a little further, we had an instance where we ran an ad—we have done more outreach than we ever did under CETA, much more, at least from the experience I have had with it. We had an ad in which we had 300 people respond in 1 week. And, we had a specific person to whom they would respond. This person took all the information they could, name, address, and so on. And, then, we waited for about 3 weeks, and began to check out the applications that were coming in from the local OBES office, either in Lorain or Elyria, and we were not surprised, but the figures were kind of appalling, 12 percent of the people who called eventually became enrolled in our program. And, basically, what they called about was, "Yeah, we saw the ad, and know about the training, but do you have jobs right now?"

Because when they found out what the training was going to entail, the amount of commitment they would have to make and the amount of time they would have to commit, they, frankly, lost interest, because of the lack of income maintenance.

Mr. **Pease**. Well, that is perfectly understandable. I do not think you can cart yourself over to a college or a training institution 10 or 15 miles every day and sustain your family, and pay the rent, when you do not have any income.

I think those are very useful statistics, Ken, about the drop in trainees as between CETA and JTPA, and probably accounts for the administration's request to rescind half the funds for title III of JTPA for the remainder of this fiscal year.

Mr. **Burich**. Well, can I address that, too?

Mr. **Pease**. You may, yes.

Mr. **Burich**. We are caught in a catch-22 situation, in that, the unemployment figures for our show shows a decline in the number of people who are unemployed, statewide, and ours fluctuates. It is not in any way near as high as when I first became involved in the CETA Program.

It is not to say that those people who are no longer showing up on the unemployment rolls are employed. I think it is quite the opposite. They are just out there. But, because our figures look better continuously, our funding is being out, not only for training programs, but for administrative purposes as well. We have lost over a half million dollars for the next coming year, and as the situation continues, we will lose somewhere between—just a guess right now—$250,000 to $500,000 again next year.

And, we have noticed a phenomenon that the State is now starting to address, that the State unemployment rate dropped from 9 percent to 7.7 percent last month, which is a tremendous drop, but so did the number of people working in the State of Ohio. And, we have noticed that here several times. Our unemployment rate has dropped, but so has the number of people working. And, I do not understand it.

Mr. **Pease**. It does not add up, does it?

Mr. **Burich**. No. But, we are caught in that situation where it impacts upon us directly.

Mr. **Pease**. OK. Well, that is very helpful.

Mr. Oberstar, do you have anything?

Mr. **Oberstar**. Thank you very much, Mr. Chairman, and, my thanks to the panel for your presentation, for your discussion of this program from the working side or business end of it, if you will.

I have a question about a related aspect of training. I understand that in Ohio, your State's law has been changed so that a person drawing unemployment compensation can also enroll in a training program without losing that unemployment comp. Is that correct?

Ms. **Tomka**. Are you addressing the question to me?

Mr. **Oberstar**. Yes.

Ms. **Tomka**. That is not one of my functions in the employment service. I am with the employment service division, but I would say that you are correct, yes. They can get into a training program, especially TAA, immediately upon receiving unemployment benefits.

Mr. **Oberstar**. I think Ohio is one of only, probably, 12 States in the country that has this provision in law.

In several of the other States it is only an experimental effort at this stage. The experience elsewhere has been that if an unemployed worker is drawing unemployment comp, and realizes that his or her previous job may no longer be available, wants to train for a new skill, and find new work, he or she loses the unemployment comp, once enrolled in a training program. The choice becomes one of eating or studying. These people would rather pay the rent than go to class. They need to provide for their children instead of completing a training program.

That is a harsh choice—a choice that does not have to be made under the Trade Adjustment Assistance Program. TAA provides income to support, at least for a time, training, and, then, assistance in finding a job. One the training program is completed.

Ms. **TOMKA**. Right. I was going to make that point. I am glad you brought that up. Let us not even imagine that people collect benefits throughout the entire time that they are taking their training.

I have many students, trainees, that are telling me they have got part-time jobs, their wives are working part time. They are, indeed, sacrificing to complete, but they realize the benefit of it.

You know, I had a fellow that told me his wife's a nurse, and he, himself, went into training with no idea that he could, in fact, learn and study this program. And, he is so proud that he has been able to accomplish it.

I have people that have been on the dean's list. I have people that have received awards, most recently. I think it is attached to the testimony that I gave. People are, indeed, sacrificing, but I think, if you take a look at the area here, I mean really take a look, at the devastation that has encountered them, they are dreaming of a new life to come, and, hopefully, maybe, moving on.

Everyone is not pushing to move on. A lot of them feel, "I have been here all my life. I do not want to have to go elsewhere." But, I think, in fact, in knowing that they possibly can, they are taking a different attitude toward it.

Mr. **OBERSTAR**. Your description of people who have lived a lifetime in an area that they do not want to move out of is so true of the area that I represent in northern Minnesota. They live there because they have grown up there or they have moved there and do not want to move away. It is a beautiful place to raise families, but it is also the end of the energy pipeline. We are a far distance away from large population centers. It is difficult to get new industries started in northern Minnesota, although we spend most of our time at it: myself, my staff, our Governor's office, and our State agency offices. Our people have skills, tremendous skills, which can be adapted to other purposes. Unfortunately, there is no industry there to take advantage of those skills and, if in the process of going through training, you lose unemployment compensation and the means of keeping your family together, a sense of desperation sets in, as was testified to by the gentleman representing the Minnesota Department of Employment Security.

What do you feel would be the most important features of the Trade Adjustment Assistance Program to retain in the upcoming legislative renewal effort?

Ms. **TOMKA**. How do I feel?

Mr. **OBERSTAR**. What or which are the most important complements to retain, and what would you add to the existing Trade Adjustment Assistance Program?

Ms. **TOMKA**. I would need a minute or three.

Mr. **OBERSTAR**. Any of the panelists.

Ms. **TOMKA**. If I may, just for a moment, I think the offerings that they have now are tremendous, truly. The job moved there and do not want to move away. It is a beautiful place to raise families, but it is also the end of the energy pipeline. We are away, a far distance, from large population centers. It is difficult to get new industries started in northern Minnesota, although we spend full time at it, myself, my staff, our Governor's office, our State agency offices. And, people have skills. Tremendous skills can be adapted to other purposes, but, if there is no industry there to take advantage of those skills and, if in the process of going through training, you lose unemployment compensation, the means of keeping your family together, a sense of desperation sets in, as was testified to by the gentleman representing the Minnesota Department of Employment Security.

What do you feel would be the most important features of the Trade Adjustment Assistance Program to retain in the upcoming legislative renewal effort?

Ms. TOMKA. How do I feel?

Mr. OBERSTAR. What or which are the most important complements to retain, perhaps, what would you add to the existing Trade Adjustment Assistance Program?

Ms. TOMKA. I would need a minute or three.

Mr. OBERSTAR. Any of the panelists.

Ms. TOMKA. If I may, just for a moment, I think the offerings that they have now are tremendous, truly. The job search and relocation, I think, should be extended to help those that need it.

But, insofar as training, I think we have a good source of training within the area, and within the metropolitan area, as well, in Cleveland. So, I think, maybe, if there would be anything that I would say, possibly, extending the job search and relocation possibility for those that must realize that it will be necessary to relocate.

Mr. WILSON. If I may, Mr. Chairman, the most important thing, probably, would be to retain some money to fund the program, and to get an adequate amount of money to extend the benefits to those program to those that are peripherally touched by the trade imbalance that the United States is undergoing right now.

The length of training, 104 weeks, is a very fine portion of the program, and any linkage with income maintenance to remove that worry of how to survive would, also, be a welcome addition.

Mr. OBERSTAR. Thank you very, very much. I really appreciate your thoughtful presentation.

Mr. PEASE. Thank you, Mr. Oberstar, and I would like to thank the panel, and saying that we are finishing just in the nick of time. The folks from the UAW, who intended to use, maybe, an hour's worth of tape just happened to have, in the case, 6 hours' worth, and they are down to about their last 12 minutes of tape.

Again, I would like to thank them for filling in and helping us out so much, and thank the three of you for your patience and for your excellent contributions to our hearing record.

This concludes the field hearing of the Subcommittee on Trade on the Worker Trade Adjustment Assistance Program.

Again, I thank the members, and the witnesses, all of them, for coming, and for their excellent testimony.

The hearing record will remain open for additional written testimony from any party, until Friday, June 21.

Thank you.

[Whereupon, at 3:35 p.m., the hearing was adjourned.]

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